Imperial Ethiopian Government

Ethiopia

THIRD
FIVE YEAR
DEVELOPMENT
PLAN

1961 - 1965 E.C.

(1968 - 1973)

Addis Ababa

13932

22 SEP 1969

Published 1961
(1968)

Printed by Berhanena Selam H.S.I. Printing Press
Addis Ababa, Ethiopia

31446

A TOURIST GUIDE to the
"Labour" contents in the
Library copy (No. 13932)
of

the Ethiopian THIRD FIVE-YEAR
DEVELOPMENT PLAN, 1961-1965

Page 80 (§1-5), then find - } after 77
page 82 (§6-9), then find -
page 84 (§10-12), then find - after 79
page 86 (§13-17), then find - after 89
page 88 (§18-23), then find - after 91
page 90 (§24-28), then find - after 85
page 92 (§29-64), ending at page 105.] after 87

Plus pages 405, 421 and 436.

Also:
page 134 (§21-22)
page 152 (§22-23)
page 166 (§8)
page 207 (§63-67)
page 234 (§38-41)
page 258 (§15)
page 285 (§39)
page 301 (§24-32)
page 325 (§34)
page 332 (Chap. XVIII)
page 361 (§17)
page 388 (§72-75)

Contents

Throne Speech of His Imperial Majesty Haile Selassie I 7
Preface 19
Explanatory Note 22
Introduction 23
Abbreviations Used 32

Part I - Goals, Resources and Policies

Chapter I Major Goals of the Third Five Year Plan 35
- Overall Growth of the Economy 36
- A Rising Standard of Living 38
- Laying the Foundation for Future Growth 39
- The Goal of Regional Development 40

Chapter II The Economic Frame and Main Targets 42
- Production Targets 42
  - Raising Production and Income by Six Percent Per Year 42
  - Changing the Structure of Production 43
    - Agriculture 44
    - Industry 45
    - Transport and Communications 46
    - Education, Health and Housing 46
    - Other services 48
  - The Investment Programme 48
  - Consumption and Saving 53

Chapter III Financing the Investment Programme and Monetary Aspects of the Plan 58
- The Overall Picture 58
- Financing of Central Government Requirements 60
- Financing of the Public Sector's Requirements other than Central Government 65
- Financing of Requirements for the Private Sector 66
- Monetary Aspects of the Plan 67

Chapter IV Foreign Trade and the Balance of Payments 69
Export Proiections and Prospects 70
Import Requirements 74
The Balance of Trade 76
The Service Components in the Balance of Payments 76
The Inflow of External Capital Required 77

Chapter V Manpower, Training and Employment Policy 80
Manpower Skills: Requirements and Supplies 81
The Current Stock of Skilled Manpower 81
Additional Manpower Requirements and Output of Training Institutions 83
Manpower Projections for Major Sectors 87
Major Aims of Manpower Policy During the TFYP 97
Employment and Labour Policy 101

Chapter VI The Natural Resources of the Nation 106
The Need for Studies 106
General Aspects of Natural Resources 107
Mapping 108
Climate and Water Resources 109
The Rift Valley Lakes 113
Other Major Rivers 114
Water Supplies - Urban and Rural 115
Soil Resources 118
Mineral Resources 121

Chapter VII The Policy Imperatives 124
Strengthening the Planning System and Its Links with the Budget 125
Fiscal and Financial Policies 126
Investment Policy 131
External Trade and the Balance of Payments 131
Domestic Trade and Commerce 133
Manpower Policy 134
Sectoral Policies 135
Regional Development Policy 140

Chapter VIII Organizational and Administrative Implications of the TFYP: General Public Administration 144
The Second Five Year Plan 144

The TFYP - Main Aims 146
Central Government Administration 148
Sectoral Administration and Organization 154

Chapter IX Organizational and Administrative Implications of the TFYP: Financial Administration and the Regulation of Public Enterprises 163
General Monetary Administration 163
Budgeting 165
New Institutions for Internal Development Resources 166
The Administration of External Resources 167
Development Finance Companies 168
Public Utilities and Enterprises 175

Part II - Sectoral Programmes

Chapter X Agriculture, Forestry and Fishing 181
The Land Resource Base 183
SFYP Objectives and Actual Development, 1955-59 184
Third Five Year Plan - Policy Framework. 189
Production Goals For the Third Five Year Plan. 201
The Resource Input Requirements 203
Forestry and Fishing 209
Organization and Administration for Agriculture, Forestry and Fishery 212

Chapter XI Manufacturing Industry 217
The Second Five Year Plan Period 217
Development Policy for the Third Plan 219
Production Targets and Input Requirements for the Third Plan 227
Industrial Development: Organizational Measures 237

Chapter XII Handicrafts and Cottage Industries 241
The Second Five Year Plan Period 241
Objectives of the Third Five Year Plan 242
Government Expenditure for this Sector 243
Organizational Support 245
Production Targets and Their Implications 247

Chapter XIII Mining 250
The Second Five Year Plan and Actual Development 250
Mining Policy and Legislation for the TFYP 251
Output Goals for the Third Five Year Plan 253
Required Inputs for the Development Programme 255
Co-ordination and Organization in the Mining Sector 258

Chapter XIV Electric Power 260
The Second Five Year Plan and Recent Developments 260
Policy Guidelines for the TFYP 263
Capacity and Production Goals for the TFYP 264
Development Expenditure and Required Inputs 265
Organizational Aspects 268

Chapter XV Transport and Communications 269
The SFYP Targets and Actual Developments During 1955-59 270
Policy Orientation for Transport and Communications in the TFYP 273
Organizational and Institutional Aspects 277
The Required Inputs to Obtain the Targets 278
Services of the Sector 287

Chapter XVI Education 290
SFYP Goals and Actual Development, 1955-59 290
Educational Policy for the Third Five Year Plan 295
Educational Achievement Targets for the Third Five Year Plan 296
The Required Development Expenditures and Their Financing 305
Organizational and Institutional Reforms 308

Chapter XVII Health and Medical Care Programmes 312
Plan Targets and Actual Development, 1955-59 312
Goals and Policies of the TFYP 316
Malaria Eradication 319
Basic Health Services 321
The TFYP Development Expenditures for Health and Their Financing 329
Organizational and Administrative Problems 330

Chapter XVIII Community Development, Urban Infrastructure and Housing. 332
- Rural Community Development 332
- Urban Infrastructure 338
- Housing 346

Chapter XIX Tourism and Wild-Life 352
- Second Five Year Plan - Goals and Actual Development 353
- Policy Orientation for the Third Five Year Plan 354
- Targets for the Third Five Year Plan 356
- Required Inputs 360
- Organizational Aspects 362

Chapter XX Regional Aspects of the Third Five Year Plan 364
- Regional Development Policy Objectives 364
- Recent Development 366
- Development of River Basins 368
- Package Programmes 371
- Agricultural Settlement and Resettlement Policy 373
- The Setit Humera Region 374
- Regional Livestock Projects 376
- Programme to Support Local Initiative 379
- Co-operatives 380
- New Urban Growth Centres 383
- Organizational and Institutional Measures 385
- The Use of Military Civic Action in the Realization of Regional Development Programmes 388

PART III - Measures for Implementation

Chapter XXI Annual Programmes and Budgets 393
- Annual Planning in the Context of the Third Five Year Plan 393
- Priorities and Strategy for 1961 393
- Projections of Economic Activity in 1961 394
- The Public Sector Programme 397
  - Key Policy and Institutional Measures 397
  - Central Government Administration 398
  - Fiscal, Budget and Investment 398
- The Central Government Budget 407

Revenue 408
Expenditure 410
Conclusion 414

Chapter XXII Specific Tasks and Responsibilities 416
Office of the Prime Minister 418
Institute of Public Administration 419
Ministry of Finance 419
Ministry of Planning and Development 420
Ministry of Planning and Development (CSO) 421
Ministry of Agriculture 422
Ministry of Land Reform and Administration 425
Awash Valley Authority 426
Ministry of Commerce and Industry 427
Ministry of Mines 430
Ministry of Communications 431
Ministry of Posts, Telegraphs and Telephones 432
Imperial Highway Authority 433
Ministry of Education and Fine Arts 433
Haile Selassie I University 435
Ministry of Public Health 435
Ministry of National Community Development and Social Affairs 436
Ministry of Interior 437
Municipality of Addis Ababa 438
Ministry of Public Works 439
Ministry of Information and Tourism (ETO) 440

THRONE SPEECH OF H.I.M. HAILE SELASSIE I

Tekemt 23, 1961

Ethiopia has a long recorded history of which she can be justly proud. The Ethiopian heritage blossomed in its millennia of civilization which rose to a high level of attainment and displayed remarkable evidence of invention and technical accomplishments. The historical relics and archaeological remains which are found in the various provinces of the empire and which have evoked worldwide interest are tangible evidences of a rich and developing cultural heritage. Ethiopia, a legatee of this creative past and wealth of culture, today uniquely finds itself in a position of keen awareness of what national identity and the spirit of oneness means to a nation and people in the contemporary world.

From these experiences Ethiopia has emerged with the considerable advantage of a national consciousness and a national spirit. This sense of national identity, coupled with the fact that the Ethiopian hinterland was not easy to penetrate, constituted a bulwark against the empire builders of the 19th century. Ethiopia preserved her independence through hard and bitter struggles but her contacts with the outside world were cut off by the colonial powers which surrounded her. She had also to struggle to maintain internal political unity in the face of continuous foreign interference. To preserve her independence and to maintain national unity, Ethiopia had to pay a high price. On the one hand, her energies were diverted and her financial resources depleted. On the other hand, she was kept in isolation and out of contact, although not for a long time, with the main currents of technical, economic and scientific development.

The very nature of the Ethiopian relief, though a natural fortress against the external onslaught, tended to limit other aspects of national development such as education, to a number of restricted areas.

But during the twentieth century, a foundation has been laid upon which rapid progress can be expected to take place in the future. Many of the traditional obstacles to progress have been removed. Technical innovations have brought all parts of the empire into closer contact with each other. Road networks, so vital to internal mobility, have made neighbours of once isolated regions. Aviation has established firm daily contacts between Our capital and the farthest corners of Our Empire, as have the radio, telegraph and telephone among the people. It gives Us pleasure to see the efforts being deployed by Our people in the Governorates General and the provinces to better their lot by taking advantage of these modern means of communication and transport. To speed up the pace along the road to self-reliance, it is also necessary for Us to broaden the base of Our industrialization.

Ethiopia is no longer in isolation. Internal communication has been matched by external contacts. She stands alongside one of the world's busiest corridors of commerce which she serves by modern ports and shipping. Many of Ethiopia's products are traded on the world market. Ethiopia participates to the full in international life, not only making her contribution on the political and economic scene but also receiving through international and national agencies welcome assistance for her development programmes. Her students have access to all the sources of knowledge and return to apply their training to the problem of their country's development.

Our National Literacy Organization, whose fundamental purpose is to enable every Ethiopian to read and write and which enjoys the unqualified support of all Ethiopians, has likewise started registering encouraging and rewarding results. We have faith that Our Church, whose pioneering effort in the field of learning is on record, will fully participate in Our government's programmes for Our people's social betterment. It is both the duty and responsibility of the world's fortunate few to help fulfil the legitimate aspirations of the unfortunate many.

The modernization and expansion of agriculture, the mainstay of the Ethiopian economy and of the livelihood of Our people, has always *been at the forefront of Our government's preoccupations. Several factors impede efforts at drastically changing traditional farming practices in the space of a generation. Shortage of capital is one such factor. Rigid traditional outlooks and customs are another. On the other hand, the resounding success recently registered by the vast agricultural enterprise being run by a few people at Setit Humera has given a vivid testimony to what Our people can achieve through diligence and hard work. While changes in entrenched customs can be induced through education and the desire to improve, capital can be acquired through loans and credits. We have time and again noted that the combination of capital and know-how can crown development endeavours with success.*

A major agricultural development project involving an outlay of as much as $14 *million has been launched in Chilalo* Awraja *under an agreement concluded with the Royal Swedish Government. Similarly, ambitious projects are in the process of execution in Welamo and three other provinces through the co-operation of the World Bank. Preliminary investigations of the potential resources of the Awash Valley have been completed and steps have been taken towards the implementation of a number of agricultural and settlement projects in the basin. The recently started Metehara agro-industrial enterprise, one of the several other similar projects launched in the valley earlier, not only will generate employment for many but also promises to greatly contribute to the national economy.*

While seeking capital to modernize and expand agricultural activities, Our government has spared no effort in the concomitant task of improving agricultural practices through education and changing the farmer's traditional outlook. Accordingly, by supplementing the $5 *million aid obtained from the United Nations Development Fund last year by* $7 *million from the Treasury, the Government has established a* $12 *million Agricultural Research Institute, with branch offices at Holeta, (Guenet), Melka Yerer and Jimma. Another institute has in the meantime been opened at Bako through the co-operation of the German Federal Government. These institutes will be the focus for* *soil, hydrological and climatological tests, as well as for the experiments in better seed selection, horticulture, livestock production and better farming implements, all geared to providing the farmer with expert advice and assistance. The Government has invested a considerable amount of money and energy in the establishment of these centres, including those previously established at Debre Zeit, Alem-Maya, Jimma and Hagere Hiwot; and therefore We call upon all government agencies, and especially parliamentarians, to advise and encourage farmers to take the maximum advantage of the benefits and services affored by these governmental programmes and other privately operated agricultural projects. We take great pleasure and pride not only in the achievements We have made but also in seeing that Our people have benefitted from them.*

It should be clear to everyone that the improvement and development of the agricultural potential of a country is dependent upon the system of land tenure that it adopts for itself. Convinced as We are that the improvement in this field will greatly contribute to the economic development of Ethiopia, We have established a separate Ministry of Land Reform and Administration. Methodical and extensive research has established that programmes of land reform and administration are determined not through lavish imitation of measures adopted elsewhere but rather in accordance with the precepts of a country's particular traditions and social system.

In this respect, Ethiopia has its own modus operandi, *underlying which is the enhancement of the nation's general economy and of the people's standard of living through the full and sustained utilization of the vast and fertile land with which God has blessed Us. The presence of large, rich and uncultivated tracts of land throughout the country is sufficient proof that there is no shortage of land in Ethiopia. Ethiopia is a country which has a long tradition for the respect of the basic rights of private ownership based upon proper legal system and social justice, and today, more than ever before, Ethiopia believes in those same rights which are conducive to the attainment of the economic development of the country. Legislative proposals, which* *are the result of careful research and study by Our Minister of Land Reform and Administration, will soon be laid before Parliament for sober and impartial deliberation.*

Times were when each farmer's income taxes on his produce were paid to the Government through his landlord in the form of tithes. The recently enacted Income Tax Proclamation provides that the farmer pay such taxes directly to the Treasury on the basis of estimates determined by local elders of his own choice. It must be clearly understood by all that this pay-as-you-produce system of taxation is meant to enable every Ethiopian to fulfil his obligation to the State and has no relevance whatever, contrary to the opinion held by some individuals misinformed on the matter, to land ownership.

It need hardly be said that capital resources hold the key to the realization of both day-to-day activities and long-range development projects. The Government, determind to execute its manifold development programmes, has been progressively strengthening its budget by supplementing local resources by loans and credits obtained from friendly countries and international lending agencies; the national expenditure slated for the current fiscal year has reached $650 million. This stage has not been reached without difficulty or sacrifice. Last year's closure of the Suez Canal has particularly brought considerable strains on the fabric of Ethiopia's foreign trade and finance, as it has on that of many other countries. This situation clearly demonstrates that, even where enterprise and initiative are not lacking, the pace at which the growth of a country's economy normally proceeds can be quickened or slackened by global developments far or near. It is, therefore, essential that, however great the sacrifice needed to curb economic stagnation may be, available resources be as judiciously used as possible on a carefully selected list of priorities.

In the industrial sector, second only to agriculture in its capacity to open wide areas of opportunity and promote the well-being and prosperity of Our people, development has continued to proceed satisfactorily in those areas more immediately suited to Our needs.

In the Second Five Year Plan period, expansion in existing industrial complexes went side by side with the establishment of numerous small enterprises. The motivation underlying this area of activity goes beyond the benefits to be derived directly from industrial products; the employment opportunities generated have also been given advance thought. It is a source of great satisfaction for Us to note that relations between labour and capital have been more harmonious this year than in previous years. This is a key factor to the success of all industrial efforts.

In as much as a nation's mineral resources are potent propellants of development, the systematic survey of Ethiopia's potential in this domain is being diligently undertaken with a view to reaching the beneficial stage of exploitation with the minimum of delay.

The improvement and expansion of land, air and sea transport, so vitally essential for national progress and development, has enabled the Ethiopian people as never before to avail themselves of the services provided by these infrastructures. The Ethiopian Shipping Lines, formed only recently as a wholly government venture and through government resources, has given particularly invaluable services in forestalling a situation that would otherwise have even more adversely affected the general pattern of Ethiopia's foreign trade on account of the closure of the Suez Canal. The first-rate organizational set-up, managerial efficiency and Ethiopian-oriented training programme of the Ethiopian Airlines, which is comparable to any modern airline, provide a cause for great pride.

Convinced as We have always been that education is the key to the hope and aspirations of Our people and devoted as We have a great deal of effort and labour to its cause throughout the major portion of Our life, this area of national endeavour continues to be at the forefront of Our preoccupation. The growing appreciation of the benefits of education on the part of Our people has today brought the public into active and valuable partnership with the Government in sharing the burden of the educational effort. A great deal of coordination is required to crown this gigantic undertaking with success.

As much as education has improved the knowledge and ability of Our people, so have health services improved their physical strength and impetus to work. We are therefore just as equally committed to the public health services as We are to education. We had once considered it significant that part of the responsibility of caring for the health of Ethiopians should pass from the hands of foreign doctors to that of their Ethiopian counterparts. We have now reached the stage where we can train Ethiopian doctors in our own university and this marks yet another milestone on the road to progress.

These represent great achievements but much remains to be done if the rate of national progress is to be accelerated. Many people have not yet participated in the progress which has been made. Many remain out of contact with the technical benefits of the 20th century. The provision of basic primary and secondary roads is still only partially complete. A large proportion of the nation's children cannot yet find a place in school. Medical services are only available to few and the income of the average Ethiopian family does not permit the enjoyment of much beyond the bare necessities of life.

As man's faculty attains higher level of development and sophistication, so do his wants in life. The key to the attainment of any goal lies in one's ablity to learn to direct one's objectives along clearly defined ends and pursuing them in an orderly, rational and co-ordinated fashion. The means which modern economic philosophy has devised for the attainment of such goals is the preparation of long-term project plans and their execution to the extent possible.

The economic development of Our nation has in the past ten years been guided by the first and second five-year plans which were prepared and implemented following Our directives.

Benefiting from the experience of these two five-year plans, a third five-year development plan has been prepared by Our Ministry of Planning and Development in co-operation with other development ministries and foreign economic experts. We have approved this third *five-year development plan and ordered its implementation as from the beginning of the* 1961 *fiscal year.*

The fundamental purpose of both this and the previous plans is to raise the level of per capita *production and income so that within a generation the standard of living of Our Ethiopian people will be materially improved. A rise in productivity and income will result in the economic advancement of the Ethiopian people and ultimately strengthen the national revenue.*

The aim of the plan is not only to achieve a rapid improvement in the living conditions of, and providing material comforts for, the present generation, but also significantly stresses the laying of the foundation for longer term growth by emphasizing what needs to be done in resource development to provide more food for more mouths, more schools for more children and more amenities for more of the population.

The main objectives and targets of the plan are:

1. *to raise the general level of Ethiopia's social and economic development at the rate of six percent* per annum;
2. *to attain this level of annual growth, the plan envisages a total investment of* $3,415 *million from domestic savings and external loans and grants, together with private foreign investment sources;*
3. *to modernize and strengthen the general administrative machinery and particularly the financial institutions so that the organizational changes will complement the financial and technical set-ups in implementing the plan's objectives;*
4. *to ensure that the various social and economic institutions meet their assigned targets so that the plan's projected level of annual growth will be achieved;*
5. *though a co-ordinated development of all the social and economic sectors is the main target of the plan, more emphasis is also given to agriculture, the mainstay of the national economy and of livelihood of the majority of the Ethiopian people,*

through an all-front, more concerted encouragement and assistance;

6. *to extend economic and social development from urban centres to rural areas which not only sustain the majority of the Ethiopian people but also provide most of the nation's natural wealth.*

During this and the subsequent plan periods, steps will be taken to provide, other than in agriculture, more opportunities of employment in which every sector of Our growing population will be engaged, each according to his ability and field of specialization. The natural resources of Ethiopia—her minerals, soils, water and energy resources—have as yet hardly been touched. Great stress will be put on a major programme for surveys with a view to a fuller exploitation of this unlimited potential. The problem is one of conservation as well as exploitation of resources because Ethiopia has suffered and continues to suffer from the depletion of her soil's resources by erosion. Urgent steps, which will involve substantial investment in terms of time and money, will be taken to control this serious loss.

To improve the lot of the peasantry and to increase the agricultural output of the country, great efforts must be exerted to provide adequate domestic and international markets for the farmer's produce; to expand industries for the processing of agricultural products; to introduce technical knowledge leading to better farming methods; to provide modern inputs such as improved seeds, fertilizers and pesticides; and to implement land reform programmes providing incentives to productive efficiency.

As new forms of agricultural and industrial enterprises and administrative institutions develop, the demand for a larger number of healthy, skilled and qualified personnel will increase. The educational system and health services at all levels must be geared to meet these demands. In particular, this entails a rapid expansion of the elementary school system to provide an adequate base for higher education. It also means using the existing technical and vocational *training institutions more effectively and expanding such facilities to provide for the training of more qualified and skilled personnel.*

As We have time and again stressed, rapid development cannot be realized without sound and efficient public administration which can make judicious use of available resources, time and energy. Much has been achieved in this area, although further improvements are still required, especially at provincial and local levels. The central Government machinery will be strengthend, particularly for the administration of development programmes. The Government will continue to improve the methods of central government and local administration, where a more modern system is a prerequisite for achieving national objectives. However, modification in the machinery of government itself does not bring about the impetus for change without the growing civic consciousness on the part of Our people.

In agriculture or industry, commerce or education, private initiatives will be encouraged to participate fully in the national economic development programme, side by side with the government and along the lines laid down in the plan. National participation in national development will be given new vitality.

We trust that friendly countries, international organizations and private foreign investors will once again participate in the realization of the objectives of the Third Five Year Plan.

It should be noted, however, that the realization of the objectives of the plan, that is, the translation of ideas into reality, mainly depends on the harmonious utilization of Our heritage and national resources together with the blessings of modern science and technology. To acquire modern tools and equipment required for the rapid growth it will be necessary for the nation to make great sacrifices and efforts to save by refraining whenever possible from luxurious consumption.

Ethiopia also needs a sufficient pool of trained manpower and rightly expects to draw this from among the youth for whose education and upbringing she has been making tremendous sacrifices over the *last twenty-five years. This is the time for them to answer to the call, to subordinate self-interest to national cause.*

We would like to call upon Our people to remember that the most important factor in the success of Our national drive is the goodwill and entrepreneurship which each individual brings to his particular area of activity. There can, therefore, be no member of the Ethiopian society who would not be concerned in his country's affairs and evade bearing his share of the burden of responsibility.

PREFACE

The Third Five Year Development Plan is a logical continuation of the two preceding plans. The valuable lessons of experience learnt in the preparation and implementation of the previous plans and the knowledge accumulated during these periods have substantially contributed to the refinement in the techniques of plan formulation.

The First Five Year Plan had given priority to infrastructure. The Second Five Year Plan gave greater emphasis to directly productive undertakings, particularly manufacturing industry, mining, electricity, etc. In the Third Five Year Plan there is a substantial shift of emphasis from the preceding plans by giving high priority to agriculture.

The Third Five Year Plan has other distinctive features of its own. In the first place, its formulation was based on more and better knowledge of the country. Secondly, concrete institutional measures involving a large degree of administrative reform are foreseen as a pre-condition of plan implementation. Thirdly, there is a greater drive to improve the distribution of real incomes and opportunity in the various regions of the Empire. Last but not least, the plan clearly defines the specific tasks and responsibilities of each ministry and agency in the implementation of the plan.

Equally important is the manner of the preparation of the third plan. It has drawn heavily on expert knowledge from all quarters of the Empire and beyond. Experts from international organizations, universities, and other individuals have all generously contributed in various capacities to the preparation of the plan. The strengthening of planning units and planning committees in every ministry and agency and the creation of inter-ministerial committees is no doubt an important feature of the third plan. This has created a forum where issues were rationally discussed, leading to cross-fertilization of ideas and thus broadening the goals and objectives expressed in the plan. Consultations have also been carried out with the private sector.

The plan sets forth both the short and the long-term objectives for the social and economic develoment of the country. In the short run it envisages a maximum feasible rate of growth of 6% and for the long-term it aims at laying down the foundations for accelerated growth in the consecutive plan periods. The GDP ($3,575 million) and *per capita* income ($150) figures shown in this plan document are estimates prepared by the recently established Central Statistical Office of the Government. There is some evidence to indicate that the *per capita* income figure can range between $125 and $200 (U.S $50 and U.S $80). With the strengthening of the Central Statistical Office more reliable figures will be obtained and the plan document shall accordingly be revised.

Undoubtedly, plan formulation is an important first step. But, the greatest challenge lies in implementation. To succeed, a plan requires the solid support of the population at large. The primary condition for this support is an understanding by the people of what the plan is: its goals, its policies, and, above all, its relevance to their daily life. Such an understanding requires, in turn, full dissemination of the plan throughout the Empire in a form that is intelligible to the great masses of the people. The Government will soon take steps for a wide dissemination of the third plan in order to enlist the support of every citizen for its aims, and for the sacrifices that it will necessarily entail.

Above all, the Government (like so many others in the developing world) has met with formidable obstacles in its declared desire to adopt planning and plan implementation as a discipline—for this is what planning truly involves. To implement a plan is to push through a number of interrelated programmes of action, to check frequently how they are progressing individually as well as collectively, to re-direct them if for some unforeseen reason they tend to go off course, and to resist the temptations of seemingly better but inconsistent programmes that may appear during the process of implementation. The descipline which planning imposes is not merely a matter for the Government but for the nation at large every citizen ought to be prepared to accept and contribute to it. Both for the Government and the nation, the discipline which planning entails thus remains a most significant challenge.

TSAHAFE TAEZAZ AKLILU HABTE WOLD
Prime Minister and Minister of Pen.

Explanatory Note

1. Throughout this document the planning agency is referred to as "The Ministry of Planning and Development". On Yekatit 11. 1961. this Ministry was replaced by the PLANNING COMMISSION, within the Office of the Prime Minister. Hence "The Ministry of Planning and Development" should now be referred to as "The Planning Commission".

2. On the same date. Yekatit 11, 1961, The Ministry of Commerce and Industry was reconstituted to include "Tourism", and should now be referred to as the "Ministry of Commerce, Industry and Tourism". Tourism was previously under the Ministry of Information.

3. The Ministry of Public Works was also renamed, on Yekatit 11, 1961, "The Ministry of Public Works and Water Resources".

4. Unless otherwise stated, all dates are in Ethiopian Fiscal Year (F.Y.) or Budgetary Year (B.Y.). The Ethiopian Fiscal Year begins on Hamle 1 (July 7) and ends on Sene 30 (July 6).

5. References to "dollars" ($) indicate Ethiopian dollars, unless otherwise stated.

6. A dash (-) signifies that the amount is nil or negligible.

7. Three dots (...) indicate that information is not available.

Planning Experience

In a broad sense planning was introduced into Ethiopia more than ten years ago. In 1937 a ten-year programme for industrial development was elaborated. Subsequently, sector programmes of varying durations were prepared for agriculture and forestry, transport and communications, education, and water resources development. Strictly speaking, however, planning for the nation's integrated development started only with the First Five Year Development Plan in 1949. Shortly before then, the administrative machinery for formulating that and subsequent plans had been established by the creation of a National Economic Council in 1947. This consisted of a Planning Board and a secretariat to the Board, specifically charged with the task of drawing up plans. The First Five Year Plan and the second were prepared under this arrangement.

A number of developments, important to the economy as well as to the structure of the Government itself, have taken place during these years. The first plan, which covered the years 1949 to 1954, offered something much needed but heretofore unavailable, namely the first comprehensive picture of the economy, and much new information came to light. Even for those areas where serious obstacles stood in the way of complete knowledge, a start was made to overcome these obstacles; and the second plan not only continued this effort, but applied it more widely.

This contribution of the first and second plans should not be underrated. One significant outcome of this effort was the realization of the importance of statistics for planning. The Central Statistical Office (CSO), originally under the Ministry of Commerce and Industry, was established. And the subsequent growth of statistical services, although still limited, as well as the eventual establishment of an autonomous Central Statistical Office owe much to this widespread awareness of the essentiality of statistics to planning.

The first and second plans also drew attention to the need for creating other important institutions, many of which have been established by the Government. A development plan is essentially a general guideline of policies to be pursued, and measures to be adopted, consonant with such policies; it defines broad areas of economic and social activity to be promoted, and describes how to do it all. What gives substance to this broad action programme are the specific projects — the roads to link the people and markets of the country and to open up new areas, the hydro-electric installations to generate power for industrial plants, the factories to transform the nation's raw materials into manufactures, and so on. And these projects require specialized institutions both for their elaboration and for their financing. The last ten years have brought about important developments to these ends. Not only have existing project-oriented institutions from before the first plan been strengthened (e.g., Imperial Highway Authority, Ethiopian Electric Light & Power Authority, Imperial Board of Telecommunications of Ethiopia), but new ones have been created. The Technical Agency is one such creation. The Ethiopian Investment Corporation is another. These two institutions have begun to play an important role in the country's development.

More broadly, the nation's experience with planning has shown the need for reforming the administrative machinery of the Government. The truth has been learned that planning, to be truly operative, requires a modern administrative structure different from that inherited from the past. This was why the Government created a high level Administrative Reform Committee towards the end of the First Five Year Plan. Among the leading objectives of this Committee were: (1) the simplification of the existing ministerial structure by the elimination of unnecessary ministries, and (2) the transfer of certain functions from one ministry to another in order to avoid duplication and overlapping responsibility. In 1954 the Committee submitted a report in which it made a number of proposals for creating new ministries, and dissolving or reformulating the functions of others. Consequently in 1958 the Order defining the powers and responsibilities of Ministers was promulgated.

A number of proposals had been worked out for the implementation of the second plan. Notable among these were the establishment of planning units within each ministry and government agency, and effective co-ordination of economic and social policies both at the higher and lower levels of the Government . In fiscal administration the most serious case concerned the relation of the budget to the annual plan. The Government had announced clear policy statements with regard to the relation of the budget with the Second Five Year Plan through the medium of annual plans, but the indispensable administrative mechanism through which this policy could be put into effect was not strong enough as expected. And this still forms one of the key goals of the Third Five Year Plan. In the field of monetary and credit institutions the recommendations of the Second Five Year Plan were fully implemented. The former State Bank of Ethiopia was split into the new National Bank of Ethiopia becoming a central bank, and the Commercial Bank of Ethiopia operating as a normal business bank.

Already the Government has benefited from this and similar lessons in formulating this plan. For instance, clear-cut measures have been worked out for attaining the goals and policies adopted for the next five years. Indication has also been given as to which department of government carried responsibility for action. Provision has also been made for effective machinery for wide implementation, including the regular formulation of the annual operational programmes and budgets which this plan will dictate. Finally, the Government is determined to meet with new vigour and determination the challenge of discipline that the programmes will necessarily impose, and will spare no effort to mobilize the support of the people, by bringing this plan closer to surmounting their problems and fulfilling their hopes.

Recent Economic Trends

In 1960, the value of goods and services produced in Ethiopia[1] is estimated to reach almost $3,575 million at 1958 prices. For an estimated population of 23.7 million, this means an average GDP per head of $150. Compared with the average in African countries, the growth rate of *per capita* GDP since 1954 has been reasonably satisfactory—i.e., nearly 2½% *per annum*.

One striking phenomenon of the development in Ethiopia during the past six years has been the rapid increase of the monetary — mostly non-agricultural — part of the economy. The monetary sector, which was only 46% of total GDP in 1954, increased at a rate of more than 7½% a year (four times as fast as the non-monetary part of the economy) so that in 1960 it comprised 55% of the total. The rapid increase in the *per capita* production of the non-agricultural sector as a whole is due to the rapid overall expansion of sub-sectors such as manufacturing, construction, and power.

However, in the years ahead, it will prove increasingly difficult to maintain this high growth rate of the non-agricultural sectors if the growth of agriculture does not accelerate substantially. Adequate demand may not be generated within the monetized segment of the economy which covers only 4-5 million people. Income per head in this segment, although high compared to that prevailing in the agricultural sector, is still low, so that a major part of the increase in disposable incomes will still be devoted to satisfying the demand for basic essentials like food and housing.

In principle, growth in the incomes of the agricultural population of about 20 million should provide a major part of the

---

1) Gross Domestic Product at factor cost.

market for non-agricultural commodities. Only if the mass of peasant farmers improve their productivity, can they produce enough for themselves and for the rest of the population in the years to come. The rapid increase of surplus production for the market implies an accelerated movement of the mass of peasant producers into the monetized sector of the economy; only thus can they hope to raise significantly their real standard of living, develop a small savings surplus, and thus begin collectively to provide the large purchasing power base necessary for a growing industrial economy.

As regards the consumption of food grains, the availability of statistical evidence so far supports the view that the *per capita* consumption of food grains is about 182 kgs. per year. In view of the large cattle and sheep population in the country the consumption of livestock products is also substantial. It is estimated that the average daily calorie intake is about 2,100[1].

Better information, though still qualitative, exists in regard to non-staple crops, and here the situation is somewhat more encouraging. The past few years have seen a rapid development of commercial agriculture. There has been a vigorous expansion of "industrial" crops, grown chiefly on large-scale farms and plantations, such as sugarcane, cotton and, to a less extent, tobacco. These have provided a welcome new growth sector to the GDP and to the expansion of employment both directly and, by the introduction of new processing and manufacturing activities, indirectly. They have also tended to reduce the deficit in the balance of payments, chiefly through import substitution.

Coffee production is still the pillar of support for Ethiopia's exports. Out of a total output of 155,000 tons, about 80,000 tons are presently exported — though this figure is rising rapidly — and the rest is consumed domestically. Given the excellent soil and

---

1) Consumption surveys carried out by the Central Statistical Office and the Swedish International Development Agency tend to confirm this result.

climatological conditions, Ethiopia's coffee production undoubtedly enjoys real comparative cost advantages, and in fact the key problem in the face of an international quota system is that production will probably increase too rapidly. But the need, common to all coffee producers, including Ethiopia, is to attempt to limit coffee production to the quantities which can be sold at fair remunerative prices under the International Coffee Agreement. Tentative beginnings on a modest scale have been made towards this end. However, production control will not be simple for Ethiopia, since much of its coffee grows wild and the extension of roads into such areas easily creates large surpluses for sale without additional plantings.

The stock of animals in Ethiopia is evidently very large, but the output of meat and dairy products, for commercial purposes, is low in relation to its true potential. Potentially bright markets exist both at home and abroad, if a number of necessary measures are adopted for the further development of the livestock programme. The eradication of major animal diseases through modern veterinary methods, and the reduction of high rates of animal mortality which still constitute a serious problem should be vigorously attacked. The same can be said for range pasture development, control and creation of sound holding areas, scientific breeding, and herd development.

The industrial group of activities, including manufacturing industry, handicrafts and small-scale industries, mining, construction activity and electric power, had a combined rate of growth of about 12½% per year for the period 1954-1959. This raised their contribution to GDP from about 9% in 1954 to about 12½% in 1959 This grouping, however, conceals a highly different pattern of growth among these sectors.

Manufacturing output grew at about 16% *per annum* over the period. This high rate is partly due to the small initial base from which the growth took place; but even so, the expansion is noteworthy. Most of the expansion in the number of enterprises, in employment and in output, took place in the food processing and textile industries, followed by the beverages industry (beer and soft drinks), which in turn were followed by the tobacco and the leather and shoe industries. All of these and most others are in the category of light consumer goods manufactures, and, apart from their significant impact on production and employment, their import-substitution effect upon the balance of payments is considerable. However, large industrial exports projected in the Second Five Year Plan have not materialized as expected.

The contribution to GDP of transport and communications services is still modest, although it has grown at a high rate. This group as a whole contributes 3.8% of the GDP. The rate of increase over the years 1954-1959 has been about 10.9% yearly. The growth of output of services was considerable in road, air and water transport, and in telecommunications. Yet it was passenger traffic that grew much faster than freight transport in the road and air sectors. The road building programme was not fulfilled, especially in regard to secondary, feeder and service-to-traffic roads. The lack of an adequate network of such roads has no doubt contributed to the slow growth of marketing the agricultural output in the recent past. The inadequate use of domestic air transport—especially for freight — has probably retarded internal economic development in the past, and could do so even more significantly in the near future. Although it may be said that investment in infrastructure — particularly in transport facilities — took a high proportion of total and public investment during the period 1954-1960, the base, necessary for the support of future increased production, was not as well laid as expected.

The Coming Five Years

The preceding paragraphs highlight some of the developments and structural problems of the country. Continued efforts need to be made to raise real incomes, to lay the foundations for future growth and to improve the balance of payments. This third national plan sets forth what must and can be done to achieve the greatest possible growth and development of the economy during the coming five years. Several distinctive features of this plan must now be noted. It is designed to achieve rapid increases in productivity and incomes in the near future, but significantly it also stresses the laying of the foundations for longer term growth by emphasizing what needs to be done in resource development, education, and public administration.

In the formulation of the plan all ministries and agencies have participated fully. Consultations have also been carried out with the private sector and with local authorities. It is, therefore, the work of many people conscious of the need to chart a course for national progress.

Another feature of the plan is that it has been based on a careful assessment of past performance. Previous policies and development plans have been appraised and fruitful lessons derived. This has made it possible to reformulate national policies, to identify feasible projects and to specify appropriate development institutions. The balance which has been struck between the desire for rapid development and the realization of what can be done is what particularly distinguishes this plan.

Finally, the road to implementation has been clearly set forth as an integral part of the plan. Experience in Ethiopia and elsewhere has shown that the critical weaknesses lie in the lack of measures and institutions for plan implementation rather than in the process of plan formulation. The Third Five Year Plan endeavours to avoid these weaknesses.

No plan can guarantee that implementation will in fact take place. The Third Five Year Plan depends for its success on the continuous dedication and commitment of the Government and the nation to the process of modern economic and social development. This requires the support and participation of the entire Ethiopian people from the highest government official to the humblest farmer in the field. In this process the function of the Government is to create an environment within which the latent energies of the people can be mobilized for nation-building. Already there is much evidence that this is taking place at the local level where community organizations are chanelling resources and energy into self-help schemes.

In presenting the plan to the nation the Government offers a framework within which each citizen has a part to play, within which each must contribute according to his abilities, and for which each individual contribution is equally vital. Some must be trained to be able to accept these responsibilities; others, already trained must shoulder their responsibilities. The Ethiopian nation has the elements which go into the making of a modern society. Parliamentarian or office clerk, doctor or dresser, factory manager or truck driver, teacher or student, priest or soldier, judge or peasant farmer, every Ethiopian must contribute. This is the challenge!

Abbreviations Used

ADA - Agricultural Development Agency
ALERT - All Africa Leprosy Rehabilitation and Training Centre
ARI - Agricultural Research Institute
AVA - Awash Valley Authority
CAA - Civil Aviation Administration
CADU - Chilalo Agricultural Development Unit
CSO - Central Statistical Office
DBE - Development Bank of Ethiopia
EAL - Ethiopian Air Lines, S.C.
EC - Ethiopian Calendar
EELPA - Ethiopian Electric Light and Power Authority
EFY - Ethiopian Fiscal Year
EIC - Ethiopian Investment Corporation, S.C.
ESL - Ethiopian Shipping Lines, S.C.
ETO - Ethiopian Tourist Organization
EUS - Ethiopian University Service
FAO - Food and Agricultural Organization
HSIU - Haile Selassie I University
IBRD - International Bank for Reconstruction & Development
IBTE - Imperial Board of Telecommunications
IDA - International Development Association
IEG - Imperial Ethiopian Government
IHA - Imperial Highway Authority
ILO - International Labour Organization
IPA - Imperial Ethiopian Institute of Public Administration
ISHOPA - Imperial Savings and Home Ownership Public Association
NBE - National Bank of Ethiopia
MGI - Mapping and Geography Institute
SFYP - Second Five Year Plan
SEDAO - Societa Elettrica Dell' Africa Orientale
SIDA - Swedish International Development Agency
TFYP - Third Five Year Plan
UNESCO - United Nations Educational, Scientific and Cultural Organization
UNDP - United Nations Development Programme
UNICEF - United Nations International Children's Emergency Fund
USAID - United States Aid for International Development
WHO - World Health Organization

PART I

Goals, Resources and Policies

Abbreviations Used

[illegible]	Agricultural Development Agency
ALERT	All Africa Leprosy Rehabilitation and Training Centre
ARI	Agricultural Research Institute
AVA	Awash Valley Authority
CAA	Civil Aviation Administration
CADU	Chilalo Agricultural Development Unit
CSO	Central Statistical Office
DBE	Development Bank of Ethiopia
[illegible]	[illegible]
EC	Ethiopian Calendar
EELPA	Ethiopian Electric Light and Power Authority
EFY	Ethiopian Fiscal Year
EIC	Ethiopian Insurance Corporation, S.C.
ESL	Ethiopian Shipping Lines S.C.
ETO	Ethiopian Tourist Organization
[illegible]	[illegible]
FAO	Food and Agriculture Organization
HSIU	Haile Sellassie I University
IBRD	International Bank for Reconstruction and Development
IBTE	Imperial Board of Telecommunications of Ethiopia
[illegible]	[illegible]
IEG	Imperial Ethiopian Government
IHA	Imperial Highway Authority
ILO	International Labour Organization
IPA	Imperial Ethiopian Institute of Public Administration
[illegible]	[illegible]
NBE	National Bank of Ethiopia
[illegible]	[illegible]
SFYP	Second Five Year Plan
[illegible]	[illegible]
SIDA	Swedish International Development Agency
TFYP	Third Five Year Plan
UNESCO	United Nations Educational, Scientific and Cultural Organization
[illegible]	[illegible]
UNICEF	United Nations International Children's Emergency Fund
USAID	United States Agency for International Development
[illegible]	[illegible]

Chapter I

Major Goals of the Third Five Year Plan

Introduction

1. The ultimate objective of this plan is to satisfy the aspirations of the nation as outlined in the Introduction. More immediately, however, it is concerned with the goals of economic and social development which these aspirations imply. There are several such goals with which this plan is concerned. But those few from which all the other goals derive and towards which the policies, measures, and other instruments of implementation are focused, comprise the following:

(i) The fastest possible growth and development of the economy as a whole — the plan growth rate target is 6% per year — and a steady if gradual improvement of the social and cultural welfare of the people of Ethiopia.

(ii) A steady and perceptible rise in the real standard of living for the population in terms of higher *per capita* incomes, which should expand on average by over 3% annually. In plain terms, this means better dietary levels, better clothing and better housing conditions, better health standards and educational opportunities, as detailed in the sectoral chapters of the plan.

(iii) The building of far stronger foundation for sustained and rapid growth and development of the economy in the fourth plan period and beyond. This will particularly require the enlarging of the educational base of the population, with special attention to the provision of the skills required by the various sectors, the acquiring of a more accurate knowledge of the country's natural resources, and the improvement of the administrative capacity of the Government.

(iv) Without sacrificing the foregoing objectives, a gradual improvement in the distribution of real incomes, and increased opportunity among the different sections of the population and in the various regions of the Empire.

Overall Growth of the Economy

2. All modern development plans stress the attainment of adequate rates of growth, expressed in terms of the expansion of the gross domestic product and the derived levels of *per capita* income. The Third Five Year Plan of Ethiopia establishes an annual target for the expansion of the gross domestic product of six percent. Starting in the first year with a rate of about 5%, the momentum of planned development is expected to increase so that by the last year of the plan the rate achieved should be above 6%. Such a rate may appear ambitious; but it nonetheless derives from the sound criterion of maximum feasible growth. Anything less would represent a less than maximum effort. Anything above this would depart seriously from the concept of maximum feasibility.

3. Attainment of the national goals necessarily involves highly variable targets of expansion among the different sectors of economic activity. The foundation for the Ethiopian economy is and must long remain agriculture. But the development of agriculture, and especially of agricultural society in the proper broad context of this plan, requires emphasis also on a concurrent development of industrialization. In the Ethiopian context this means especially the development of those lines of industry most closely related to agriculture, and normally included under the heading of agro-industry. The real and sustained development of Ethiopia is, in any event, unthinkable without sound progress in the expansion of

agricultural output. The third plan affirms this goal by setting a growth rate of nearly 3% annually for total agricultural production. This is well above the rate achieved in recent years. Its achievement is vital to the realization of the overall rate of 6%. Because of the more rapid development of the other sectors (manufacturing in particular) the share of agriculture will decline from 60% of GDP in 1959 to 50% in 1965. But the changing structure of the economy towards more non-agricultural pursuits is itself a basic objective. That it can be done only gradually is mainly due to the preponderance of a vast base of peasant agriculturalists, who are not part as yet of the modern monetary economy. While the target for the expansion of output in this subsistence sector is only 1.9% *per annum*, the plan nevertheless foresees bringing increasing numbers of subsistence peasants within the orbit of the market economy. Commercial agriculture, on the other hand, both on large scale farms and on peasant holdings, is expected to provide the dynamism necessary to achieve an overall growth of 3% for agricultural production. Commercial agriculture will therefore have to grow by no less than 5.7% yearly.

4. Other productive sectors will expand even more vigorously in the third plan period. Manufacturing, for instance, will grow at an annual rate of 15%. The realization of this goal will depend upon the better utilization and expansion of existing industries, the creation of new ones, and the attainment of higher levels of employment and productivity. Much of the manufacturing activity, as noted above, is of an agro - industrial nature, depending directly on agriculture for important raw materials and contributing in turn, important inputs, e.g. fertilizers and pesticides, to agriculture. In short, the goal of increased industrialization will itself help to provide support to the development of agriculture. The plan also provides for rapid expansion in mining production which is expected to grow by an average of 25% annually. In addition to helping diversify the economy and create new sources of employment and

income, mineral production will contribute to new exports and will replace imports of certain raw materials. Of particular importance is the realization of potash production by the last year of the plan. Electric power production will expand by nearly 18% yearly; transportation and communications services by over 10%; and commerce and banking by 11%, reflecting especially the growing importance of modern financial and internal commercial transactions. Such goals will not preclude significant expansion of the social sectors; in fact their achievement depends in good part on the social development of the nation. Educational and health services are also expected to contribute to overall growth by about 12% annually. The expansion of the economy will also see considerable improvement in the housing of the population and in the provision of community facilities and welfare services generally.

A Rising Standard of Living

5. The Government is determined to bring about a marked improvement in the real standard of living of the population during the third plan period. Overall expansion of 6% *per annum* would mean an increase in the average *per capita* production of something like 3½% annually and perhaps about 3% for *per capita* income. With a population presently growing at slightly over 2%, and even though it is likely to grow somewhat faster over the next decade, the target for improvement in real income per person is quite challenging. But the improvement in the standard of living must also find expression in forms that are more directly meaningful to the masses of the population. The plan foresees a steady improvement in the variety and quality of foods consumed both by the peasantry and by the urban population. Somewhat more adequate supplies of consumer goods generally will become available, both through increased domestic agricultural and industrial production, and through import. The gradual extension of rural schools with

more places and better quality teachers, will open new perspectives of life and hope for the peasantry. The increased emphasis on preventive medicine and simple hygiene, with more adequate curative medical facilities spread through the country, should procure increased vigour and better enjoyment of life. It is by the provision of a better quality of living, expected steadily to improve in the future, that the plan can be given real meaning for the population of Ethiopia.

Laying the Foundation for Future Growth

6. While the Government considers it important to ensure that a maximum feasible rate of growth is achieved within the medium term, it considers it essential at the same time that firm foundations for future growth are laid down during the third pland period. The satisfactory expansion of production and consumption in the third plan period itself will be accompanied by the establishment of firm conditions for accelerating long term development.

7. The third plan emphasizes research and pre-investment studies designed to identify natural resources of high potential. Research coupled with expansion of the basic supporting services forms the core of the agricultural programmes. As a result of these and similar preparatory measures in the Third Five Year Plan, both agricultural and industrial expansion, including mining, in the next 10 to 15 years are expected to take place at an accelerated rate. The benefits of investment in research and training will be realized even more during the fourth and fifth plan periods. Similarly, the full benefits of the improved transportation and communications networks, to be carried out in the third plan, will be felt only in the longer term.

8. The solid educational base to be built in the next five years will

produce qualified teachers, who will ensure over the longer run a much better trained and educated labour force. Better health is also a crucial factor in enhancing the working capacity and productivity of the population. With improved skills and better health, labour in Ethiopia will be able to develop greatly enhanced productive efficiency.

9. The long term soundness of the economy will clearly depend upon the preparatory policies and measures described above. But the country's administrative capability for initiating and seeing through these crucial policies must also be strengthened immediately. To leave the organizational aspects unattended until late in the third plan period will be to invite failure. The key objectives for the immediate future are the increase in efficiency of public administration and the improvement in the co-ordination and management of government activities. Chapter VIII gives details of how this is to be done, starting at once in 1961; the main responsibility will devolve upon an Administrative Reform Committee of the highest authority and calibre. The whole spectrum of public administration for development will be scrutinized—planning, project preparation, budgeting, finance, local government, etc.—and the result is intended to strengthen and utilize the available institutions and manpower, so that those things which must be done now to provide a springboard to long term prosperity will not only be done, but done efficiently.

The Goal of Regional Development

10. The ultimate objective is that all sections of the Ethiopian people share the fruits resulting from rapid economic advance. The growth of activities in Addis Ababa, and a very few other major cities, must be matched by improvements in other regions and especially in the rural areas. The third plan stresses this objective, although five years can see only the beginning of this essentially long term

transformation. Nevertheless, certain regions of the country which already give promise of dynamic expansion, and which contribute significantly to the national goals, will be given positive attention and help. The Setit Humera area in the north-west, the Awash Valley in its middle and lower regions, the Southern Livestock Development Region Programme, and such projects as Chilalo in Arussi province and Welamo-Soddo in Sidamo province, are examples of regional programmes of great and immediate promise. Similarly, stress is made in the plan on the identification and realization of a number of well-designed "package programmes" for rural areas in different parts of the country. These programmes are designed not only to increase production (and therefore benefit the local people) but at the same time to provide models of experience for practical application in still other areas.

11. But in emphasizing these special areas the Government will make it clear at the same time that it is not neglecting the needs and longer-run potentials of the other, less developed, regions of the Empire. Through the expanding and intensified research and programming work on regional development there will gradually emerge the policies and the dynamism for sustained growth all over Ethiopia.

Chapter II

The Economic Frame and Main Targets

A. Production Targets

1. The predominant goal of the Third Five Year Plan is to take an important and decisive step forward in raising the economic and social standard of living of the Ethiopian people. This goal is to be achieved not only by an acceleration of the growth of production and income in the Third Five Year Plan period itself, but also by laying the foundations in that period for a sustained and even more accelerated pace of development in subsequent plan periods.

Raising Production and Income by Six Percent Per Year

2. Ethiopia's gross domestic product is now estimated to be $3.6 billion. The overall production target is to increase the total volume of the nation's output of goods and services by about one-third over the next five years to $4.8 billion. This implies that, between 1960 and 1965, the country's total gross domestic product (GDP) will have to grow on the average by 6% per year, compared to about 4.6% actually achieved in the Second Five Year Plan period. At the same time, the population is expected to increase by 2.2% annually, from 23.7 million in 1960 to 26.4 million in 1965. Although there will be 2.7 million Ethiopians more by 1965 to share the projected higher total income, the real annual income per head will, nevertheless, be $30 more, i.e., up from its present $151 to $181 in 1965. In the modern, monetized sector of the economy, the increase in income per head will be greater than this overall average. It should always be remembered that such monetary expressions of

average income are not an adequate reflection of the basic economic or social welfare of the people, particularly in attempting to make international comparisons.

Changing the Structure of Production

3. A very important aspect of the plan's production target is a rapid increase *(9% per annum)* foreseen for that part of production which is sold on the market. This increase will be the combined result of the expansion of existing modern productive and distributive activities, and of the rising numbers of subsistence farmers

Production Targets by Sectors (Gross Domestic Product[1]) at Factor Cost

	1960		1965		1960-1965	
	$ mill.	Percent of total	$ mill.	Percent of total	Increase $ mill.	Growth per year in %
A. Major Sectors						
Agriculture	2,108	59.0	2,435	51.0	327	2.9
Industry[2]	447	12.5	755	15.8	308	11.1
Transport, Commerce, etc.	469	13.1	787	16.5	318	10.9
Education, Health, Housing	226	6.3	333	7.0	107	8.1
Other Services	325	9.1	469	9.7	144	7.6
Total GDP	3,575	100.0	4,779	100.0	1,204	6.0
B. Monetary & Subsistence						
Monetary production	1,968	55.0	3,019	63.2	1,051	9.0
Subsistence production	1,607	45.0	1,760	36.8	153	1.8
Total GDP	3,575	100.0	4,779	100.0	1,204	6.0
C. Production per head						
Population (in millions)	23.7		26.4		2.7	2.2
Production per head (in $)	151		181		30	3.7

[1] For details, see Statistical Appendix.

[2] Includes Mining, Manufacturing, Handicrafts and Small-Scale Industry, Building Construction and Power.

who will move towards production for the market, instead of simply for themselves. It will lead to a drop in the relative share of subsistence production in the nation's total GDP from 45% to 37% between 1960 and 1965, (see part B of the table above). This will constitute a decisive step toward the "modernization" of the Ethiopian economy. Not only will there be a significant increase in monetized agricultural output, but also agricultural production as a whole in relation to GDP is expected to decline from 59% in 1960 to 51% in 1965. At the same time, the share of industry, trade, transport, education, and other social activities is expected to rise rather sharply.

Agriculture

4. Of the planned increase in production of $1.2 billion, agriculture will account for $327 million (27%). Agricultural output will thus grow by 2.9% per year, considerably higher than the 2.1% attained during the second plan period. In itself, an annual growth rate of nearly 3% may not appear high, but in the circumstances, it is so, when account is taken of the fact that the greater portion of this sector, in which subsistence farming predominates, is still very retarded. This is the main reason why the plan also concentrates on policies and measures which will lay the foundation for achieving a faster growth of this backward sector *during* the fourth plan period. Moreover, the annual growth rate of about 3% implies the necessity of increasing monetary agricultural output (both for the domestic market and for exports) by a rate of 5.7% *per annum*. Thus, monetary agriculture oriented to the market, whether from large-scale commercial farms or increased marketable surpluses of peasant producers, is expected to show a marked expansion, and will constitute by 1965 approximately one-third of the total agricultural output. Subsistence production is expected to grow by 1.8% *per annum* which is about the rate of increase of the population engaged in this sector.

Industry

5. The Third Five Year Plan sets a high growth rate for industrial activity. A target growth rate of 11% is projected for manufacturing, handicrafts and small-scale industries, building and construction, electric power and mining taken as a group. The table below gives the output targets for the individual sectors in this group.

Production Targets

Sectors	*Percent*
Manufacturing	14.9
Handicraft and small - scale industries	5.5
Building and construction industry	9.1
Power generation	17.8
Mining	24.8
Average:	11.0

6. Manufacturing output, which grew by an annual rate of about 16% over the period of the second plan, is projected to increase at the rate of 15% *per annum*. Most of the increase will come from food processing, textiles, and, to some extent, leather and shoe - making industries. It is evident that these are industries based on agricultural raw materials. The output for the handicrafts sector is projected to increase at 5.5% *per annum*.

7. Considerable increase in the production of mining is foreseen. The plan anticipates a sizeable production of potash — about 750.000 tons — to be realized in 1965, as a prelude to a still further expansion of this important mineral in the fourth plan period. Failure to achieve this target would necessitate a downward revision of the general growth target and of the export proceeds projected in the plan. The building and construction industry is expected to grow

by about 9% *per annum* and electric power output by 18% *per annum*.

8. Commerce and, related to it, banking services are also expected to expand substantially during the plan period. A number of measures directed in the first place towards improving the marketing of agricultural products destined for export or home consump - tion are foreseen in the plan. Next, the domestic distributive trade is to be given attention, with the primary objective of making essential industrial goods accessible at reasonable prices to the rural consumer in all areas.

Transport and Communications

9. The plan has a number of measures designed to improve the efficiency of these sectors and their expansion will keep pace with that of other sectors. The key sector, transport, is projected to increase at the rate of 10%, which is essential if it is not to become a bottleneck to the growth of the economy over the next five years. Two crucial aims of the transport programme are the provision of the necessary facilities for the anticipated increase in output, and the opening up of the countryside to accelerate the process of monetizing the economy. In this regard, a special emphasis given in the Third Five Year Plan to the construction of secondary feeder and farm-to-market roads, while at the same time not neglecting additional high-priority primary roads, forming the trunk highway system of the country.

Education, Health and Housing

10. The composition of the growth target of about 8% per year for this group is as follows:-

Sectors	*Percent*
Educational services	12.4
Health services	11.0
Housing	5.1
Average	8.1

11. The target for the expansion of education is one of the highest in the plan, despite the fact that this is a sector in which the plan concentrates mainly on laying foundations for future, more accelerated development. Acknowledging the immense social and economic significance of this sector, the plan stretches the expansion of primary education to the limit of what will be physically and technically possible in the span of five years. As a result, pupils enrolled in government schools in 1965 are expected to reach 616,000 or 82% above the 1960 figure. In addition, another 186,000 pupils are expected to be enrolled in non-governmental schools, using the Ministry of Education curriculum. This will bring the total primary school enrolment ratio to over 18% by the end of the plan.

12. It is of crucial importance that the supply of skilled labour be greatly increased. To this end, the plan also proposes maximum targets for secondary and technical education, limited only by considerations of what is technically and organizationally possible to accomplish.

13. In the health sector, the plan stresses the expansion and improvement of the basic health services which play the main role in preventing disease and improving environmental health. The malaria eradication campaign will be considerably extended, while existing hospital and treatment services will be consolidated and improved through a more adequate supply of doctors and supporting staff.

14. Though it will be impossible to achieve a fully satisfactory

housing situation in five years, the Plan expects that at least a substantial part of the effective demand, particularly that portion which relates to low-income housing, will be met. The plan also provides for a considerable expansion of urban infrastructural services, such as streets, water supply and sanitation works.

Other Services

15. The planned growth of 7.6% *per annum* for other services implies a 6.8% growth of public administration and security services rendered by the Government. This 6.8%, in turn implicitly involves a higher growth especially for the services by economic ministries, which are most crucial for the economic development of the country.

16. Other important elements in this category are the services rendered to the growing number of tourists expected to visit this country. The stimulation of tourism is considered of prime importance to the balance of payments. The number of tourists is projected to increase fourfold, from about 27,000 in 1960 to about 107,000 by 1965, and their average stay in the country should also be greater.

B. The Investment Programme

17. The preceding targets for commodity production and for the provision of economic and social services imply a high level of investments, and a well-conceived programme to bring it about. The following analysis is made in terms of broad economic and social sectors, without entering into detailed breakdowns of each of them. This is done in Chapters X to XX, which deal with each of the individual sectors. The estimates of investment requirements by sector have been built up, whenever possible, from the examination of specific projects and programmes. Only in rare instances,

where the project and programme content of sectors was not sufficiently specific, were capital-output ratios used.

18. The Third Five Year Plan requires a total investment of $3,415 million, of which approximately $550 million is estimated as investment in kind and the rest, or $2,865 million, is monetary investment. This total refers to gross fixed investment, which includes investment in fixed assets (building, civil engineering works, machinery and equipment) both for expansion of production capacity and for the replacement of worn out assets. The figures are expressed in constant prices of 1960.

19. The table on the following page sets out for the plan period, the tentative allocation of the $2,865 million of monetary investments, both public and private, by the main economic and social sectors. About 48% of the total (or some $1,389 million) is expected to be private. The other 52% of total investment is public, of which 62% is to be financed by Central Government proper and the rest by the autonomous public bodies. The relative importance of public investment of course varies from sector to sector.

20. Thus, in infrastructural sectors like transport and power, much the greater part of the total investments is on public account. Secondly, most of the investments in education, health and social welfare, are undertaken by the public sector. In mining and housing, on the other hand, private investment is expected to play the leading role. So far as manufacturing is concerned, the Third Five Year Plan requires 60% of the investment to come from public sources. A large part of these public funds, however, will be channelled in the end to the private sector through the public financial intermediaries. In agriculture, too, a relatively large share is to be public investment since the building up of basic facilities is essential for the development of this sector.

21. In considering the distribution of total private investments over

Gross Fixed Monetary Investment (at constant prices) 1961 —1965[1]

($ million)

Sector	Public[2] Sector	Private Sector	Total	Percent of total
Agriculture, forestry and fishing	206.5	105.6	312.1	10.9
Manufacturing and handicrafts	316.5	248.5	565.0[3]	19.7
Mining	19.7	159.7	179.4	6.3
Transport and Communications	449.1	174.9	624.0	21.8
Electric power	107.5	12.5	120.0	4.2
Education	97.6	11.0	108.6	3.8
Health	21.3	19.7	41.0	1.4
Housing	19.0	505.6	524.6	18.3
Social Welfare and rural water development	23.5	—	23.5	0.8
Other and unallocated[1]	223.2[4]	143.6	366.8	12.8
Total Gross Fixed investment	1,483.9	1,381.1	2,865.0	100.0
Percentage distribution	(51.8)	(48.2)	(100.0)	

1. For further details, see Statistical Appendix.
2. Public sector includes central government proper, local administration and autonomous public corporations and agencies. Public sector corporate enterprises are those in which the Central Government has the controlling equity interest.
3. $50 million for handicrafts and small-scale industry.
4. Includes $92.0 million for urban infrastructure, $25.0 million for Public Administration $3.5 million additional allocation for land reform and the capital requirements of the proposed Foreign Trade Corporation.

the various economic and social sectors, it should be borne in mind that, in a mixed economy like that of Ethiopia, changes in the pattern of private investments can be effected only gradually and to a limited extent. For instance, it is unlikely that any significant portion of the rather high investment in housing ($500 million) can be channelled into other sectors. By far the greatest part of this amount is for the construction of conventional dwellings, i.e., "chicka" houses with corrugated iron sheet roofs. The resources normally becoming available for these dwellings consist of small savings which would not be made for other purposes.

22. Indeed, if the plan's assumption for the private sector is to be realized, not less than $515 million of the $880 million balance for non-housing investment must go into directly productive activities, of which $250 million is expected to be invested in manufacturing alone. This will not happen without the appropriate incentives for the encouragement of private investment in these fields, as is emphasized in Chapters IX and XI.

23. In the public sector, heavy emphasis is put on the more directly productive investments in agriculture and industry, which together account for nearly 37% of total public investment. However, as pointed out above, a substantial part of the public funds for investment in manufacturing is tobe channelled via the financial intermediaries (see Chapter IX) into investments by private industrial enterprises. A large share (37½%) of public sector investments has been allocated to expansion and improvement of the country's transport, telecommunications and power systems, since, without them, accelerated growth in this and following plan periods cannot possibly materialize. It must be stressed also that much of the public investment, both in productive sectors as well as in supporting infrastructure, is highly export-oriented. It is difficult, however, to quantify this element, so significant for the balance of payments goals.

24. The allocation of $98 million to education may seem a rather low proportion of total public investment. However, a number of points should be considered in this respect. First, it is to be noted that the projected level of investment for education is about four times higher than was actually spent during the period 1955-1959. Second, this amount is about as much as can be effectively utilized during the plan period, not least because of the practical limits to the increase in the number of teachers. Third, the priority and importance attached to the social sectors like education and health must be measured by the allocation of total development expenditure, including recurrent expenditure, rather than by investments alone. The plan allows an increase of recurrent expenditure of not less than 12% per year for education and health together. For education alone this means a rise in current expenditure, including estimated external assistance, from $73 million in 1960 to $133 million in 1965.

25. It is also important to consider the division of total investments between building and construction on the one hand and machinery and equipment on the other. It has been estimated that $1,640 million (about 58%) of total plan investment will be spent on building and construction, including civil engineering works, such as dams, roads, etc., while the remaining 42% will go to the cost of machinery, transport and other equipment. These two components of investment have a very different immediate impact on productive activity and employment in the country. Machinery and equipment will almost wholly be imported and will, therefore, have little direct effect on local production and employment. Construction on the other hand, will generate heavy demand for local labour and locally produced materials. Close study of the building and construction industry has shown that it will have the capability to handle the demand resulting from the projected investment programme.

26. The programme of investments just described should also be evaluated in terms of the ratio of domestic to foreign cost compon-

ents involved in it. Thus, it is estimated that roughly two-thirds of the total programme represents local costs; the other one-third is attributable to direct foreign costs, although this ratio varies greatly between sectors and projects. Civil engineering works, for example, tend to need relatively fewer imported components than do investments in manufacturing, for which not only capital goods but many specialized construction items as well must continue to be imported into Ethiopia as at present.

C. Consumption and Saving

27. In calculating savings targets for the economy, allowance has been made for a realistic increase in overall consumption levels. This increase will be the result not only of the population growth,

Production Consumption and Savings per Head of the Population

	1960	%	1965	%	1960-65 Increment	%
Real GDP(at constant 1958 factor cost)	150.7		181.1		30.4	
GDP at current factor cost	157.6	93.8	193.6	91.2	36.0	83.4
Indirect taxes (net)	10.4	6.2	18.6	8.8	8.2	18.6
GDP at current market prices	168.0	100.0	212.2	100.0	44.2	100.0
Consumption:						
Total:	149.0	88.7	185.8	87.5	36.8	83.3
of which Public (Government)	16.9	10.1	24.1	11.2	7.2	16.3
Private:	132.1	78.6	161.7	76.2	29.6	67.0
of which Monetary	(65.1)	(39.8)	(96.1)	(45.3)	(31.0)	(70.2)
Non-Monetary	(67.0)	(38.8)	(65.6)	(30.9)	(-1.4)	(-3.2)
Gross Domestic Savings:						
Total:	19.0	11.3	26.4	12.5	7.4	16.7
of which Monetary	(14.3)	(8.5)	(22.6)	(10.6)	(+8.3)	(18.8)
Non-Monetary	(4.7)	(2.8)	(3.8)	(1.9)	(-0.9)	(-2.1)

which will add 2.7 million more people to the present-day total, all needing food and shelter. It will also come about because the low average income and nutritional levels of the people mean that *per capita* consumption will rise, a fact which is both inevitable and desirable. The above table shows that (in constant 1958 prices) real *per capita* production will increase by $30 between 1960 and 1965 (from $151 *per annum* to $181 *per annum*). In current prices this rise amounts to $44 (from $168 to $212).

28. At present about 79% of GDP is spent on personal consumption. Almost half of this expenditure goes into subsistence consumption while the remainder represents monetary consumption. Public consumption forms about 10% of GDP but has been increasing rapidly in recent years. The specific targets of these three components of consumption are discussed below.

29. A large proportion of the total GDP is produced and consumed in the subsistence sector of the rural economy. Most of the country's food production, and a certain amount of hides, leather and charcoal production, make up this element of production and consumption. Such consumption in kind, assuming that traditional patterns of living are essentially maintained, is projected to grow at about the same rate as does the subsistence population. Because some of this population, however, will enter the market economy, its rate of growth is not as high as that of the total population. As a result, non-monetary consumption is expected to decline from 50% to 40% of total private consumption by the end of the plan period.

30. The dynamic element in private consumer demand comes simultaneously from the expanding money incomes of the urban and the rural population, and from the widening of the monetized sector among the traditional peasantry. This will be reflected in a rapid demand increase, particularly for food and textiles, but also for other manufactured goods. This demand will be largely for

domestically produced items but there will also be a substantial requirement for imported goods, including luxury goods. Because a significant proportion of the increase in consumer incomes tends to be directed towards imports, a problem arises in respect of the balance of payments. This provides one of the most pressing incentives for finding ways to develop domestic industry, so that it may take the place of external sources of supply. Monetary consumption will rise from almost 40% of total production to over 45% while non-monetary consumption will decrease from almost 39% to 31%. This shows clearly the significant change in the structure of private consumption during the plan period, which is accompained by an increase in the savings effort of the private sector.

31. The other main element is public consumption, of which the biggest single component is represented by the wages and salaries of government personnel. This includes not only the large civil pay rolls, but those of the military defence establishment as well. Moreover, the Government is a substantial consumer of a large variety of materials needed for its current operations. In Ethiopia, as in most countries, government consumption — essentially reflected in budgetary recurrent expenditure — has a tendency to grow rapidly; the actual rate of expansion was about 9% *per annum* during 1955-59. There are many reasons for this. Public employment inevitably grows in almost all ministries and agencies, as well as in the defence services. There are constant pressures for increased wages and salaries for public employees, often because of competition from the private sector, especially for skilled people. Allied to this is the need to up-grade certain categories of public employees whose services are particularly necessary and who will otherwise be difficult to retain in government service.

32. The main problem is that of restraining government current expenditures to a moderate rate of growth. The Third Five Year Plan sets a target of 8% for the increase in government current expenditure. This is the lowest figure which the Government feels

it is realistic to adopt; it allows for quite substantial increases in spending on education and health and on economic services, while at the same time limiting the rise of expenditures on general administration and security. Public consumption will increase relatively faster than GDP, and its share will go up from 10.1% in 1960 to 11.3% in 1965.

33. The net result of these assumptions about the allowable increase in the various categories of consumption expenditure is that as *per capita* income increases over the next five years, two-thirds of this increase will go to private consumption; of the remainder, about half will go to public consumption and half will be saved. Gross domestic savings (including investment in kind) will, therefore, rise from 11.3% to 12.5% of GDP. However, monetary savings are expected to increase even faster, namely from 8.5% of GDP in 1960 to 10.6% in 1965. This is quite a steep rise for a short span of five years and will mean that out of every additional dollar increase in production per head, almost nineteen cents must be saved. This will certainly require a serious effort from the whole economy.

34. Total gross domestic monetary savings required for the Third Five Year Plan amount to $2,400 million. The largest part of this ($1,720 million) must be expected to come from private sources. This covers business savings (including depreciation) and individual savings. The remainder is to be generated in the public sector.

35. The budgeting surplus of the central Government after interest payments, but before debt amortization, will amount to $396 million. Two basic assumptions have been made to generate this surplus: (a) current government consumption will be limited to an annual increase of 8% and (b) tax revenues will increase by about 11% per year. Tax revenues have in fact increased substantially in recent years, but this has been paralleled by an increase in expen-

diture, with the consequence that budgetary savings have not increased. This trend will now be reversed.

36. The preceding paragraphs have indicated that gross monetary investment amounting to $3,115 million (at current prices) will be required to support the projected increase in production and incomes. At the same time, gross domestic savings are expected to amount to $2,400 million, which leaves an "internal resource gap" of $715 million. Essentially this gap represents the extent to which Ethiopia's required imports of goods and services exceed the maximum level of exports. In other words, this internal gap is equal to the foreign gap which appears in the projection of the balance of payments as "deficit on goods and non-factor services". There are, however, other items in the balance of payments to be taken into account, such as interest payments and receipts, amortization of foreign loans, repatriation of capital and current transfers. Also a small rise of the foreign reserves is desirable in view of the necessary rise of imports. All together these items are expected to require net payments abroad of $335 million. It is clear, therefore, that for a balancing of Ethiopia's foreign trade and payments a gross capital inflow from abroad of $1,050 million ($715 million, plus $335 million) is required over the whole plan period. It is expected that the private sector will obtain $340 million from abroad by way of foreign investments in private enterprises here and by way of foreign credits, mainly suppliers' credits. The Government and the autonomous public bodies are expected to secure a gross inflow of loans, credits and grants of $710 million from friendly governments and international lending agencies on the basis of a large number of loanable projects included in the public investment programme. In Chapter IV, the financing of the public and private sectors will be considered in more detail.

Chapter III

Financing the Investment Programme and Monetary Aspects of the Plan

A. The Overall Picture

1. Of the total planned investment of around $3,650 million it has been seen before that $550 million consists of investment in kind which by definition has no financial implications. The financing of the remaining monetary investment of over $3.1 billion is by no means an easy matter. It will require the generation of a large amount of domestic savings and the securing of a substantial inflow of foreign capital.

2. Gross domestic savings are expected to total $2.4 billion for the entire plan period. The annual level of savings is projected to increase from an estimated $340 million in 1960 to almost $600 million in 1965. This implies an increase of nearly 12% per year compared to a growth of monetary GDP (at current market prices) of 10.5% per year. Clearly this shows that considerable efforts must be made to generate the required amounts, and a significant increase in government savings as well as measures to encourage private savings will be necessary if the target is to be reached.

3. To the projected $2.4 billion gross domestic savings about $100 million of net current transfers from abroad can be added in connection with technical assistance rendered by foreign governments and international bodies to Ethiopia. Also nearly $50 million will be received in interest on foreign exchange reserves invested abroad.

4. On the other hand, interest and amortization payments on public and private foreign debts as well as private remittances of

dividend and capital are estimated to require together about $470 million in the plan period. In addition, a small increase of $15 million of the country's foreign reserves is also deemed desirable so that their level will still be equivalent to about four months of imports in 1965.

Overall Financing Picture 1961 - 1965
(*$million rounded to the nearest 5 million*)

I.	*Financing required*	
	(a) For gross fixed investment (at current prices)	2,960
	(b) Changes in stocks	155
	Total required	3,115
II.	*Financing available*	
	(a) Gross domestic savings	2,400
	(b) Current transfers from abroad (net)	100
	(c) Interest receipts from abroad	50
	(d) Net foreign public and private capital inflow	565[1]
	Total available	3,115

[1] Gross inflow required is $1,050 million to allow for interest and dividend payments made abroad ($205 million), amortization and repatriation of capital ($265 million), and an increase in foreign reserves ($15 million).

5. The sum of all the financing components mentioned above leaves a balance of $1,050 million to be covered by a gross inflow of public and private foreign capital. This is consistent with the balance of payments projections (see Chapter IV), where the gross public inflow is projected at $710 million and the gross private inflow at $340 million.

6. The following sections examine this overall picture in greater detail. Firstly, the following table distributes the domestic and financial requirements of $3,115 million between the Public (central Government and other) and private sectors:

Distribution of Financial Requirements
($million)

	Central Gov't.	Other Public	Total Public	Private	Total
1. Gross fixed investment in constant prices	785.7	698.3[1]	1,484.0	1,381.0	2,865.0
2. Adjustments for resources required by financial intermediaries from central Government	132.3	-132.3	-	-	-
3. Financial requirements (1 + 2 constant price)	918.0	566.0	1,484.0	1,381.0	2,865.0
4. Financial requirements (in current prices)	943.0	582.0	1,525.0	1,435.0	2,960.0
5. Changes in stock[2]	-	-	-	155.0	155.0
Total financial requirements	943.0	582.0	1,525.0	1,590.0	3,115.0

[1] Includes $201 million for financial intermediaries (EIC and DBF) of which a major part will be channelled into projects sponsored by the private sector. Out of the $201 million $132.3 million has to be provided by the Central Government, while the remaining $68.7 million represent retained earnings of the intermediaries themselves and direct foreign financing.

[2] Stock-increases for central Government are covered by the projected central Government current expenditures; stock-increases for autonomous public bodies are included in the $155 million shown in the column "private".

B. Financing of Central Government Requirements

7. To bring the financing picture for the Central Government as near as possible to budgetary concepts, some $40 million mut be added to the $943 million in the preceding table to allow for the purchase of existing assets, like land, and for the provision of working capital, which are both treated in Ethiopia as part of the capital budget. The Central Government will therefore require an amount of $983 million to finance its capital budget.

8. In this regard, it is expected that a gross foreign capital inflow of $438 million to the Central Government can be secured, mainly on the basis of loanable investment projects. A detailed survey of foreign financing possibilities of individual projects and programmes in each sector, as well as a careful assessment of loans

already available or under negotiation, make this projected level of foreign loans, grants and credits feasible.

Central Government Financing, 1961 - 1965
(figures rounded in million)

I.	**Domestic financing**			
	1. *Surplus current budget*			
	Revenue	3,211		
	Current expenditure	2,712		
	Balance	499		
	Interest payments	-103		
	Surplus		396[1]	
	2. *Investment financing against current budget*		20	
	3. *Private voluntary contribution in money to governments investments*		10	
	4. *Sales of assets and bonds outside banking system*		40	
	Sub-total available		466	
	5. *Allowable deficit financing*		209	
	Total I			675
II.	**Foreign Financing**			
	Gross inflow	438		
	Amortization	-130		
	Total II			308
III.	Total (I + II)			983

[1] Includes allowance of $130 million for debt amortization which is already deducted under II.

As shown in the above table the Government aims at generating a surplus, before debt servicing on its current budget amounting to nearly $500 million over the whole plan period. The next table shows in some detail how this is to be achieved.

Central Government Current Surplus (before debt servicing)

	Actual 1959	1960	Estimate 1965	Total 1961-65	Annual Growth in percent 1960-1965
I. *Current Revenue*					
Direct Taxes	77.2	91.0	161.1	640.2	12.1
Indirect Taxes	235.4	238.7	494.5	1932.7	15.7
Total Tax revenue	312.6	329.6	655.6	2572.9	14.8
Non - Tax revenue	41.0	42.3	65.5	276.9	9.1
Current External assistance	86.3	78.0	71.0	361.0	—
Total I	439.9	450.0	792.1	3210.8	12.0
II *Current Expenditure (incl. external assistance)*					
a. Economic Ministries	71.9	68.4	102.0	422.0	8.3
b. Education	67.6	70.6	133.0	530.0	13.5
c. Health	29.8	38.3	60.0	252.0	9.4
d. Other Civil Admins. and Security[1]	218.7	238.5[2]	305.0	1348.4	5.0
e. Unforeseen and unallocated	—	7.0	17.0	35.0	—
Sub - total (a - e)	388.0	422.8	617.0	2587.4[3]	7.9
f. New wage scales	—	—	18.0	62.0	—
Total Current Expenditure (a - f)	388.0	422.8	635.0	2649.4	8.5
Same including wage and price increases	388.0	422.8[2]	666.0	2712.0	9.5
I - II Surplus (before debt servicing)	51.9	27.2	126.1	498.8	-

1. Including government contribution to pensions.
2. 1960 budget adjusted for estimated wage increases for Defence and Police.
3. $8.5 million agreed additional allocation for land reform will be financed from unallocated funds and/or savings of government departments.

9. The plan calls for a growth of total tax revenue by almost 15% per year on average, or about 1.4 times faster than the growth of monetary production and income. Thus, while tax revenue is estimated to be some 16.2% of monetary GDP (at current factor costs) in 1960 it is planned to reach 20% in 1965. Revenue from direct taxes will have to grow by 12% *per annum*. This in turn means that income tax yields must rise by 14% *per annum*. The recent tariff changes and introduction of agricultural income tax will be of

vital importance in achieving this, while the plan also reckons on countinued improvement in, and intensification of, the collection of income tax. The almost 16% planned increase of revenue from indirect taxes requires a heavy rise of taxes levied on domestic production. This is partly to compensate for the fact that receipts from taxes on foreign trade show a tendency to rise rather slowly, particularly with successful import substitution of some of the highly dutiable consumer goods traditionally being imported. A substantial increase is also expected from non-tax revenue (mainly revenue from state property and miscellaneous earnings of ministries). Detailed estimates indicate that current external assistance will probably remain on an annual level of something over $70 million, this amount being shown as current revenue and included in current expenditure in the above table.

10. As a matter of policy the plan has set a limit to the real growth of current expenditure of 8% per year (base year 1960). The total of the planned levels of current expenditure in 1965 for Economic Ministries ($102 million), Ministry of Education ($133 million), Ministry of Health ($60 million), Other Civil Administration and Security ($305 million), as well as provision for unforeseen and unallocated expenditure ($17 million), is strictly within the 8% annual growth limit. These expenditure levels are sufficient to cover the impact on current expenditures of development projects already planned or under completion. However, an estimated $18 million additional expenditure will be required in 1965 to provide for the effects of a new wage classification, to be introduced early in the plan. Although the introduction of the new wage classification will result in surpassing the 8% growth limit by 0.5% in 1965, its effects on the Central Government current budget surplus have been duly prepared for, in the financing of the Central Government capital budget.

11. The projected levels of total current expenditures reflect the increase in real terms; even so, it will be necessary to reckon with a

small price increase of the materials and outside services, etc., which will be required by the Central Government. There will also be some increase of wages and salaries of civil servants, to relate them to the anticipated increase in the cost of living in the later years of the plan. Therefore the plan projects a rise of 9.5% *per annum* for the total current expenditure at "current prices".

12. The $499 million surplus on the current budget (shown in the text table) during the plan period is calculated before the servicing of the Government's internal and external debt, estimated to need $233 million (of which $130 million is amortization and $103 million interest payments). As shown in the table, some $20 million is expected to be financed against the current budget. In other words, the projected current expenditures include, in fact, allowances for such items as engineering studies and surveys, purchase of vehicles, etc., which are properly qualified as gross fixed investments in the plan. Sometimes private people and organizations contribute money or land to investments undertaken by the Government, e.g. schools, clinics, roads, etc. It is assumed that this contribution could amount, with proper encouragement, to some $10 million over the plan period. This would not include money contributions to road-construction, since these are shown on the investment side under private sector investment.

13. Finally, it is estimated that the government could receive at least $40 million from the sale of assets, and from the placing of bonds and shares in government controlled enterprises outside the banking system. The further growth of pension funds and insurance companies, together with the restrictions imposed on the transfer abroad of reserve funds will certainly encaurage the purchase of government bonds. Furthermore, the Government aims to sell part of its numerous holdings in productive enterprises, that is to say, those that have reached the profit making stage, and, which therefore, are attractive to private investors.

14. Any shortfall of the actual sales of government bonds or in the actual cash surplus in current budget will lead either to higher deficit financing than is now foreseen, or to the necessity of reducing government investment. This latter alternative is one which the Government will make every effort to avoid.

15. The deficit-financing of nearly $210 million now reckoned with can be considered as acceptable — and even desirable — from a monetary point of view. This is discussed in the final section of this chapter.

C. Financing of the Public Sector's Requirements Other than Central Government

16. As has been seen in the table on page 60 total financial requirements of the autonomous public bodies amount to $582 million. It is envisaged that 36% or $210 million out of this will be covered by a net inflow of foreign capital. Since the amortization payments are estimated at $62 million a gross inflow of $272 million is required. Among other items, this amount will include $54.5 million for the Finchaa Power Project, some supplier credits for industrial projects, and new aircraft for Ethiopian Airlines.

17. Furthermore, it is anticipated that these public bodies could place some $25 million shares in the capital market and that cash operating surpluses of nearly $350 million will be generated. For Ethiopian Electric Light & Power Authority, Imperial Board of Telecommunications of Ethiopia and Ethiopian Air Lines alone, such surpluses (including allowance for depreciation) are projected to total more than $200 million.

D. Financing of Requirements for the Private Sector

18. Compared with the public sector, foreign capital inflow to the private sector is a much smaller proportion of total requirements; for the period of the TFYP it is calculated at about 21%. This amounts to a net $267 million (i.e. $340 million gross less amortization and capital repayments): this is in itself a substantial amount which will require appropriate incentives to foreign private investors (see Chapters IX and XI). It should, however, be realized that the estimate of $340 million gross inflow includes about $100 million for one project only, namely potash-mining, and it also includes significant amounts of suppliers' credits. Lastly, transfers to the public sector total approximately $100 million, representing mainly private purchases of public bonds and shares as well as government's dividend earnings from its private sector investments. These transfers, together with the relatively small expectations of foreign financing, lead to the conclusion that the level of savings in the private sector must be some $1.6 billion over the whole plan period. Included in this total is nearly $500 million for housing; the greater part of this sum represents small savings for conventional dwellings, and is likely to accumulate normally without specific encouragement by the Government. Of the remaining $1.1 billion, a significant proportion will arise from the savings of private business operations. For the balance, depending mainly on personal savings, the Government recognizes that measures will have to be taken, and institutions will have to be established, to provide more encouragement than now exists for attracting the small surplus funds of individuals.

19. Having considered the financing of the investment programme, both private and public, it is now appropriate to examine the overall monetary implications of the plan. In particular it is necessary to demonstrate how it is proposed to accommodate the deficit financing of the Central Government within the monetary framework, and to what extent the banking system is expected to meet demands

on it, from the private sector, for working capital and inventory needs.

E. Monetary Aspects of the Plan

20. Obviously the monetary expansion must keep pace with the growth of the monetary part of the economy in the plan period. If it does not, shortage of credit and circulating currency will prevent the

Monetary Expansion, 1960 - 1965[1]
(*$million*)

	1960	1965	Total increase 1960-1965
1. Money in circulation			
(a) currency	280	476	196
(b) Private demand deposits	118	219	101
Total 1	398	695	297
2. Time and savings deposits	110	212	102
Total 1 and 2	508	907	399
Explanatory factors			
1. Net foreign assets	215	230	+15
2. Domestic assets			
(a) Claims on Government	81	300	+219[2]
(b) Claims on private sector	247	460	+213
(c) Others, net	35	83	-48
			399

---

[1] The 1960 figures represent trend levels, and differ from provisional actual figures currently available. For further details see Statistical Appendix.

[2] Actual claims on Government reached approximately $91 million in 1960. The desirable Central Government's deficit financing has accordingly been reduced by $10 million, shown elsewhere in this Chapter.

proper lubrication of the economic process and will thereby hamper economic growth. On the other hand, there is of course the constant need for vigilance and firm action on the part of the monetary authorities to prevent the volume of money from expandihg faster than justified by the economic growth that is actually taking place, thereby endangering the price stability that is necessary for healthy growth.

21. Projections and calculations indicate that the planned growth of the monetary part of the economy should make an increase in the volume of money (currency and private demand deposits) of almost $300 million both desirable and acceptable over the entire plan period. The above table gives a summary of the monetary expansion that is envisaged.

22. The lower part of the table shows that the increase in money circulation, plus the anticipated increase in time and savings deposits, will be due mainly to a rise in domestic assets. An increase in bank advances to the private sector of $213 million would be in line with the projected growth of that sector's economic activity, and with its concommitant increased need for stock holding, and for working capital. It is projected that the banking system itself will retain nearly $50 million (the item "others net") from its earnings to keep its own reserve position at a proper level. There remains then nearly $220 million as an allowable, and at the same time desirable, increase in the banking system's claims on the Government. Earlier in this chapter it has been seen how this amount of "deficit financing" fits into the total planned financing picture of the Government.

Chapter IV

Foreign Trade and the Balance of Payments

1. In Chapter II it was explained that Ethiopia faces an external payments problem in the years ahead. The Third Five Year Plan embodies admittedly ambitious but attainable targets for both commodity and service transactions; it also provides for the net inflow of external capital, to cover the substantial resource gap foreseen. If these targets can be met, it will be possible to maintain the balance of payments in equilibrium. In this chapter detailed examination will be made of the projections for exports, for imports, for the service components in the external balance, and for the major elements of capital inflow required to balance the accounts. The organizational and administrative implications are set out in greater detail in Chapter VIII, while the policy aspects are discussed further in Chapter VII.

Exports ($ million)

	1959	%	1961	%	1965	%	Percent increase 1959-1965
Coffee	[illegible]	54.6	165.7	53.1	194.8	40.3	27
Oilseeds	[illegible]	7.9	35.5	11.4	69.5	14.4	214
Pulses	[illegible]	6.5	20.8	6.7	29.3	6.1	60
Fruits and vegetables	[illegible]	2.9	9.5	3.0	14.3	3.0	72
Hides and skins	[illegible]	11.9	30.9	9.9	31.1	6.4	—
Other agricultural products	[illegible]	2.8	7.8	2.5	19.0	3.9	144
Potash	[illegible]	—	—	—	45.0	9.3	—
Others[1]	[illegible]	14.3	41.7	13.4	80.3	16.6	100
Total exports	[illegible]	100.0	311.9	100.0	483.3	100.0	72

---

1. Mainly industrial products, including processed meats, and tanned leather and re-exports.

Export projections and prospects

2. Total commodity exports will need to rise at an average compound rate of 10.7% per year to attain a level by 1965 of over $480 million, 72% above the actual 1959 level. After omitting potash exports, estimated to be worth $45 million in 1965, the rate of growth would still come to 8.5% *per annum*. To reveal the specific commodity targets the following paragraphs consider the principal items. Further discussions of these items are to be found in the sector chapters on agriculture, mining and manufacturing.

3. *Coffee* in the recent past has constituted about 55% of the total commodity export of Ethiopia. In 1959, the volume of coffee exports amounted to 79,300 tons and is estimated to be perhaps 3,700 tons higher for 1960. By far the larger part of coffee exports is subject to international control under the International Coffee Council's agreements. Ethiopia has recently obtained a larger quota for the coffee years 1960/61 onwards. Export to quota countries for the year starting in 1961 has been set at 79,000 tons. Ethiopian exports of coffee to non-quota countries in the past few years have been averaging 5,500 tons a year.

4. Compared to the present exports of about 83,000 tons the TFYP assumes that by 1965 Ethiopia will export 100,000 tons; 87,000 tons to quota countries and 13,000 tons elsewhere. The projections for non-quota countries assume successful efforts to widen this market into both existing and new non-quota countries.

5. Future prices for coffee are of concern to Ethiopia. In present circumstances, it appears prudent to expect a definite though gentle decline in the future level of coffee prices, including those for the "Jimma" grade coffees which Ethiopia exports. To offset this price trend, improvements in quality will be made by ensuring a higher proportion of washed coffee, better packaging and standardization.

As a result, it is expected that total proceeds will rise from $153 million in 1959 to an estimated $158 million in 1960 and attain a level of $195 million by 1965. By the end of the Third Five Year Plan coffee export proceeds will thus be 23.5% above the estimated 1960 level. However, because the plan calls for a big expansion of other exports, the share of coffee is expected to decline from around 55% in 1959 to about 40% in 1965.

6. *Oil seeds exports* constitute a second important agricultural commodity group. The export proceeds from oil seeds are projected to rise from about $22.1 million in 1959 to $35.5 million in 1961, attaining by 1965 a total of $69.5 million. The most important commodity involved is sesame which commands a favourable price in world markets. On the whole, the outlook for world demand for oilseeds is a favourable one. Though Ethiopia faces considerable competition from neighbouring countries, it enjoys favourable growing conditions, particularly in the north-western lowlands, and can confidently look to a steadily expanding market for its oilseed exports. Besides sesame, other oil seeds of importance are linseed, cotton-seed, groundnuts and noog.

7. *Pulses* form an important group of agricultural exports. From a level of about $18 million in 1959 the export of pulses is expected to grow to over $29 million by 1965, a 60% increase during the plan period. Again, this is a product group in which Ethiopia enjoys favourable growing conditions and strong external markets.

8. *Fruits and vegetables* offer good prospects for expansion. By 1965, they will account for about $14 million worth of export proceeds. Effort will particularly be made to exploit the off-season demand in Western Europe.

9. *Hides and skins* are counted upon to continue to provide a substantial proportion of total exports (in recent years about $30

million), but possible expansion in export of these commodities is not great because most of the output will be absorbed by the processing of leather. At best it seems possible to look forward to a level of about $31 million by 1965. Here again, much depends upon the improvement of quality in the processing of the hides and skins.

10. *Agricultural exports*, in total, excluding processed livestock products, might thus be expected to bring in about $360 million by 1965, an increase of about 50% over the levels of recent years. Out of the total exports of $483.3 million in 1965, agricultural products would represent almost 75% compared to 86% in 1959.

11. *Mineral products* represent a new hope for the improvement of the country's balance of payments. Nevertheless, the prospects for competitive production and export of such mineral products as copper or nickel, and of non-metallic minerals such as sulphur, kaolin, barite, etc., are still uncertain and make it hazardous to make projections at this time. It is established, however, that Ethiopia does have large reserves of potash, whose world market prospects are strong. The realization of potash production and export remains a major objective of the Third Five Year Plan, despite the frustrations of the past, and despite the uncertainties still faced as the plan period commences. The only optimism which can be permitted is the attainment of a significant level of actual production and export by 1965. This has been put tentatively at the level of 750,000 tons, representing an estimated export value of $45 million or 9.3% of projected total exports. The level would, of course, be expected to rise encouragingly in the early years of the fourth plan period.

12. *Manufactured products* represent the other main hope for further export diversification. There is little doubt that Ethiopia should be in a good position to export a greater volume of processed agricultural products, particularly in the form of canned fruits and

vegetables and of processed meat products. Meat exports represent a strong hope for the future diversification and expanstion of Ethiopian exports. In recent years, they have been running at about $10 to 11 million. An objective for the Third Five Year Plan is at least to double meat exports, bringing in nearly $24 million by 1965. But the problems confronting the industry are difficult and complex. The internal supply of meat must be better established and stabilized through a variety of measures (discussed in Chapter X). Disease control and animal feeding programmes must be efficiently planned and executed. Only if the quality of meat is greatly improved, and costs of production substantially reduced, can Ethiopia compete successfully in world markets, and achieve the ambitious objectives of the plan. There is also expected to be a small but rising export market for dairy products, mainly to countries in the Middle East.

13. With the planned improvements already cited in agriculture and in livestock production, and with competent entrepreneurship and management in the processing plants, it is probable that exports of processed food products can rise by 1965 to a level of $40 million. Similarly, in the case of hides and skins, it should be possible for Ethiopia, through effective quality control and market promotion, to obtain the additional value added through processing of a large portion of its raw material into finished leather for export. This item is therefore expected to yield over $13 million by 1965. Beyond these items of agricultural processing, however, the prospects for other non-agricultural manufactured exports are more difficult to foresee. Notwithstanding this, a near threefold increase of the total level of manufactured exports has been foreseen in the plan. From an estimated level of $23 million in 1960, the total is projected to rise to $60 million in the last year of the plan. About $7 million of this total will have to include a certain amount of export of textiles, wood products, and (hopefully) such items as building materials and non-metallic products, and products

of the chemical industry, such as detergents, and soap. No effort will be spared to expand the exports of the steadily widening industrial sector, through appropriate organization, research, and market promotion.

Import requirements

14. A considerable proportion of imports, in particular of capital goods, and of a great part of the raw materials and intermediate goods used in production processes, are closely related to the investment programme itself. The import demand for consumer goods, on the other hand, is a close reflection of the total level of consumption and income, in the monetized sector of the economy.

15. Total commodity imports have been projected to grow from $397 million in 1959 to $440 million dollars in 1961, advancing steadily thereafter to reach $697 million in 1965. Taking 1959 as a base, this represents a compound growth of 9.8% per year. This increase takes into account estimated additional import substitution of all kinds of goods— over and above a normal trend increase in this regard— amounting to $91 million in 1965. In the case of consumer goods, the projections allow for a rise from about $150 million in 1959 to $245 million in 1965.

16. In this case the value of additional import substitution goods is estimated to reach $60 million by 1965, so that the projected level of imported consumer goods (before new, additional, import substitution) comes to $305 million in 1965. This is about 9.5% of projected monetary consumption in that year. The projected import level after import substitution amounting to $245 million will be 7.7% of total consumption which compares with about 8% attained in 1965. The plan thus allows for a realistic and reasonable rise of imports of consumer goods. However, should there be a strong rise in the propensity to import these goods during the course of the

plan period, it may prove necessary to curb imports of consumer goods by raising the level of import duties.

17. The projection of the imports of capital goods is of course linked to the machinery and equipment component of planned investments (see Chapter II). The level of capital imports will have to rise from $110 million in 1959 to $233 million in 1965. In this category of capital goods import substitution will be very small.

18. In the case of raw materials, and intermediate goods used in various production processes, the increase of imports is largely governed by the projected growth of industrial sectors (including the building industry), even though the growth of these sectors depends to a large extent on domestic raw materials. Accordingly, the imports of raw materials will rise from $108 million in 1959 to a level of $172 million by 1965. Import substitution in this sector is expected to reach about $40 million, chiefly for raw materials used in the textile and building industries. Fuel imports, which are not included in the above figures of raw materials, are expected to increase from a little under $30 million in 1959 to about $47 million in 1965, despite the fact that these imports will consist for the most part of crude oil, now that the Asseb Oil Refinery has started operations.

Imports ($ million)

	1959	1961	1965	Percent increase 1959-1965
Consumer goods	150.4	152.3	245.3	63
Intermediate goods and raw materials	108.4	118.5	171.7	58
Fuels	28.7	30.3	47.1	64
Capital Goods	109.6	139.3	233.0	113
Total imports	397.1	440.4	697.1	76

The balance of trade

19. The projected levels of exports and imports lead inevitably, as in past years, to a negative balance of trade. It is possible, however, that, after a rise of this trade deficit in the first few years, it will drop again in 1964 and 1965. Nevertheless, by 1965, the negative balance is still likely to amount to nearly $214 million, representing 44% of the total level of exports of goods expected for that final year of the plan. In 1959 the trade deficit was 41% of the value of total exports.

The service components in the balance of payments

20. This element of the balance of payment (details of which can be found in the Statistical Appendix) does not include freight and insurance paid on imported goods, since they are already included under the value of the imported goods. Exports on the other hand are valued F.O.B. It is understandable therefore that the balance of services is positive. It is expected that these net earnings will rapidly increase in the plan period. The expansion of the Ethiopian Air Lines and also of the Ethiopian Shipping Lines will help to achieve this target. Of even greater importance, however, is the fact that the Third Five Year Plan projects a sharp rise in the number of foreign tourists expected in Ethiopia as a result of the carefully developed tourist programme included in the Third Five Year Plan and discussed in Chapter XIX. This certainly must be considered an important, even crucial, target of the plan.

21. In consequence, he positive balance on service account is expected to rise from about $26 million in 1960 to $29 million in 1961 and to reach a level of $66 million by 1965. The net receipts over the fiver-year period nay therefore amount to about $235 million. This provides a major offset to the heavy negative balance, described above, on commodity trade of $950 million. This leaves a resource gap of $715 milion on goods and services to be covered.

The inflow of external capital required

22. To this resource gap of $715 million there must also be added: (i) the net interest and dividend payments, estimated at $154 million over the plan period; (ii) an offsetting net receipt of (projected) $100 million of current transfers (chiefly in connection with external technical assistance); (iii) a small increase of $15 million in external reserves, over the period, in view of the higher import levels projected. Therefore the net foreign capital inflow to cover the resource gap, on trade and services as well as the total net additional requirements for external resources, amounts to $785 million.

23. To this net amount is still to be added $268 million, being the total of external debt amortization over the plan years, and the expected amounts of private capital repatriation. Thus, the required gross foreign capital inflow comes to $1053 million of which the public sector is expected to obtain $710 million and the private sector $343 million.

24. As to the possibilities for private external capital, the plan expects a total inflow over the five-year period of nearly $270 million (net) or roughly $340 (gross) because heavy repayment on suppliers' credits must be reckoned with. Indeed this figure would include a significant amount of private finance chiefly in the form of suppliers' credits of various durations. It also includes, however, a considerable volume of direct capital investment on the part of private enterprises establishing new activities in Ethiopian agriculture, mining, manufacturing, etc. A part of the capital involved (about $100 million) is expected to be directed into the potash mining development, although such a figure can be only a conjecture at this stage.

25. The inflow of public long-term capital is of very great concern to the nation and in particular to the Government. It is from this

employment, and in the occupational distribution of the skilled labour force. This is because there has not as yet been an adequate manpower survey in Ethiopia.

6. Nevertheless, it has been possible to derive from various sources a set of preliminary estimates showing the number of persons employed in 1960. The following table gives a summary of the existing stock of skilled manpower, classified by major sectors of economic activity. It must be noted that the data given in the table relate only to the skilled categories of the labour force, i.e., high level and middle level personnel and skilled workers. The breadkown of employment by occupation is not available for most sectors, with the exception of education, health and electricity. As the table shows, there are about 115,000 professional and technical workers in employment. Of these, roughly one-third are in productive industry and a tenth in teaching service.

7. During the period 1955-59 the modern sector of the economy grew rapidly and new job opportunities were created. Because of lack of records, however, it has not been possible to show to what extent manpower shortages played a significant role in the various sectors, It is nonetheless generally agreed that they did limit the absorptive capacity for useful employment during those years, especially in the main productive sectors.

Estimated Employment of High Level, Intermediate and Skilled Manpower in 1960

Sector	*Employment*
Agriculture	2,470
Mining	280
Manufacturing	36,600
Building and Construction	6,570
Electricity	920

Transport and Communications	13,420
Commerce, Banking, etc.	27,350
Educational services	12,500
Health Services	6,550
Public Administration[1]	8,340
Total	115,000[1]

[1] Excludes defence.

(ii) Additional Manpower Requirements and Output of Training Institutions

8. Given the inadequacy of the available data on the present manpower situation in general, and on the distribution of the labour force over various classes of skills in particular, the projections of manpower needs can only be preliminary. It has been possible, however, to provide reasonable estimates of the additional manpower training requirements for the TFYP. At the same time an assessment has been made of the output of existing institutions and of those that will be set up during the plan. The projections of additional manpower requirements have been based on detailed analyses of the development programmes of the various sectors. The skilled manpower category is classified into three broad groups, according to the duration of training and work experience. High level manpower (Class A) represents professional and technical personnel with four or more years of university training. Middle level personnel (Class B) represents those who have had schooling of one to three years beyond secondary education. Skilled workers (Class C) are essentially persons who have completed one to four years of education beyond the eighth grade.

High Level Manpower

9. During the TFYP it is expected that nearly 5,300 of the most

Chapter V

Manpower, Training and Employment Policy

Introduction

1. The supply and efficient utilization of manpower resources to meet the requirements of a growing economy give rise to some of the most difficult problems in planning for development. Ethiopia, in the early stages of modernization of its agriculture and industry, with rapidly growing demands for skills at all levels will have to make an efficient use of her manpower skills. There is clear need for widespread literacy, and for more, and more efficient, training institutions and methods, if the demands for special skills are to be met out of Ethiopia's tremendous reservoir of human resources.

2. The estimation of the future requirements of various kinds of high and middle-level technical and professional manpower as well as of skilled labour, is a difficult and complex task. It is further complicated in Ethiopia by the fact that serious gaps exist in present knowledge about the labour force, its employment by different sectors, and its occupational skills. This state of affairs makes more difficult the proper evaluation of future skill requirements, of the need for various degrees of educational attainment, and of the nation's capacity to supply them in the correct numbers and proportions.

3. From the analysis that follows, however, there flow certain broad conclusions concerning Ethiopia's manpower problem, as she confronts the task of executing the TFYP. First, it is clear that wide gaps exist, and will persist for several years, between projected needs and the portential capacity to supply them. This is especially true for high-level manpower requiring advanced technical and

professional training. But it is also true for middle-level technicians and professionals and, in lesser degree, for many types of skilled manual and clerical workers.

4. For the period of the TFYP a considerable part of these unavoidable shortages must be met by the recruitment and wise use of expatriate manpower; this is in fact the normal solution used by most nations in the earlier stages of development. But this emphasizes the necessity, during the coming transition period, to make the most efficient use of the small existing stock of trained and experienced manpower. This requires much detailed and reliable knowledge about the manpower supply and employment situation. It also requires more certain knowledge about the specific future needs of the economy for various occupational and skill levels, both in the public and private sectors. The Government will adopt the necessary measures to increase both the occupational and geographic mobility of labour, in order to match supplies with needs. Modern training methods must be efficiently applied to the task of improving existing skills, in many segments of the labour force. Finally, the productivity of labour generally must be raised through the application of more modern technologies and management devices. An enormous task is thus imposed on the Ethiopian Government, on management and on labour, in meeting the challenge of the nation's TFYP.

A. Manpower Skills: Requirements and Supplies

(i) The Current Stock of Skilled Manpower

5. In a review of current and past trends in employment, one can form only a generalized picture of the total employment situation. Basic data are inadequate for a systematic analysis of trends in

source that the country expects to finance a large segment of the public sector investment programme. The total required is projected at $710 million (gross) over the whole plan period. After due account is taken of the required contractual amortization of official external debt, the net amount of these resources expected is some $520 million. The amounts comprise capital grants of a relatively small amount ($50-60 million), but are mainly composed of a substantial volume of new long-term loans and credits. In the subsequent sector chapters there is more detailed discussion of the particular programmes and projects which are expected to be financed by foreign capital assistance.

26. If the development plan is to be successfully implemented there is no escape from the necessity for Ethiopia to take on the large additional amounts of external capital obligations. The Government is therefore deeply concerned about obtaining the tequired loans, credits and investments—on terms as favourable as possible. It will therefore seek from external aid givers, particularly official multi-lateral and bi-lateral sources, the maximum grace and repayment periods possible for loans and credits, as well as the most favourable interest rate terms.

27. Not all sectoral programmes or projects are of a type commending themselves to aid givers; 30% to 40% of the entire public sector investment programme are projects or activities which may not invite aid. The remaining projects (generally the larger, well-identified ones) must be depended on for the attraction of external support. The Government hopes that the external aid received for them will also cover a portion of the domestic costs. The Government recognizes the difficulties and the policy requirements imposed on it if it is to receive for its third plan the volume and terms of external aid that will be required; but it is determined to take the necessary steps to ensure that this assistance is forthcoming.

Balance of Payments
($million)

	1959 actual	1961	1965	Total 1961-65
I. Current Account				
1. Exports of goods	281.0	311.9	483.3	1893.6
2. Imports of goods (c.i.f.)	-397.1	-440.4	-697.1	-2844.0
Trade balance	-116.1	-128.5	-213.8	-950.4
3. Net receipts on service account	21.0	28.5	66.0	234.6
(Deficit on goods and (non-factor) services	-95.1	-100.0	-147.8	-715.8
4. Interests and dividends				
a) private, net	-12.7	-14.5	-24.0	-90.9
b) public, receipts	10.9	10.0	9.6	48.6
c) public, payments	-9.2	-14.8	-30.7	-111.6
5. Current transfers				
a) private, net	-3.4	-3.8	-5.0	-22.0
b) public, net	28.7	25.0	24.0	122.0
Deficit current account	-80.8	-98.1	-173.9	-769.7
II. Capital Account				
6. Foreign Capital				
a) inflow				
public	65.2	109.4	166.0	710.2
private	15.3[1]	43.0	69.0	432.9
Total inflow	80.5[1]	152.4	235.0	1053.1
b) outflow = amortization and repatriation				
public	-23.9	-31.5	-46.1	-192.3
private	[1]	-10.0	-19.0	-75.9
Total outflow	-23.9	-41.5	-65.1	-268.2
7. Change of foreign exchange reserves and e. and o (increase = -)	24.2	-12.8	4.0	-15.2
Total II. Capital Account	80.8	98.1	173.9	769.7

[1] Private capital inflow of $15.3 million is a *net* figure.

highly educated and trained adminstrators and managers, as well as professional and sceintific personnel (Class A), will be additionally required. When account is taken of the 2,500 professional workers who may be needed to compensate for attrition[1] the total requirement might be 7,800. The projected output from the higher institutions of learning in the country is approximately 3,000. In addition, the Ethiopian Institute of Public Administration and the Centre for Ethiopian Management will provide in-service training for about 2,000 managers and administrators. Thus, while the need for managers and administrators can probably be met, there will still remain severe shortages of professional and scientific manpower.

10. In terms of implementation of the TFYP, the effects of the shortages of high level manpower will vary according to the sector under consideration. At this point it may be noted that in some sectors, notably in agriculture, manufacturing, building and construction, and mining, overseas contractors associated with foreign aid or investiment on planned development projects are expected to provide a significant proportion of the high level manpower required to carry out the projects, thus reducing the absolute shortfalls. There are certain occupations, however, in some instances peculiar to a particular sector, in others common to a number of sectors, for which training facilities are either limited or non-existent in Ethiopia. People to fill such jobs can be recruited only from abroad. They include, for example, professional forester and veterinarians, in agriculture; civil, electrical and mechanical engineers, in building and construction, manufacturing, transport and communications. For instance, Ethiopia will be able to provide only 12% of the engineers required. Other categories needing expatriate help are mining engineers and metallurgists, for mining and quarrying, physicians and medical specialists for the health services, ships' officers and meteorologists for transport and communications, and graduate teachers for educational services.

---

[1] Attrition is defined as losses due to death, retirement, migration and — when specific sectors are dealt with — to inter-sectoral and inter-occupational transfers.

11. The output of high level professional personnel cannot be increased by crash programmes. The period required for university graduates alone is five years. At the highest level of skill and training, dependence on expatriate personnel will therefore have to remain high during the TFYP period. In the interim, the facilities of the HSIU, the chief source of Ethiopian high level manpower, will be expanded so that enrolment will reach a total of approximately 5,000 by 1965; this is an increase of about 50%. The enrolment of about 50% of the student body into science and technology courses, by the end of the plan period, has been set as one of the goals of educational policy. Similarly, an increase in the supply of graduate teachers is one of the top priorities of educational policy for the TFYP. By 1965, 30% of the total number of students at HSIU will be enrolled in teacher training. For those occupations for which no training facilities exist, trainees will continue to be sent overseas; the various scholarship and fellowship programmes will be geared more closely to the manpower and development needs of the Ethiopian economy.

Middle Level Manpower

12. Middle level manpower (Class B) comprises intermediate technical and supervisory personnel, engineering, agricultural and laboratory technicians, as well as middle level mangement cadres. The additional requirements for the plan period are estimated at 12,300. If a rough allowance is made for replacement, the total number of technicians needed in this category is estimated at 16, 800. The output from all training institutions, including the technical schools, is estimated at 6,000. In addition, it is believed that the training institutions serving the civil service, the private sector, and the specialized agencies, particularly in the transport and communications sector, will produce about 5,700 intermediate technical and supervisory personnel through in-service training programmes. Although these programmes are designed in many instances to im-

ment within the Ministry of Agriculture will begin during 1961 an intensive (3—4 months duration) programme of training for 8th grade school leavers (until the proposed farm centres come into existence). With an intake of 30, to begin with, trainees will be given short courses in sheep and livestock husbandry, dairying, crop cultivation and so on. Also the Ministry of Agriculture is planning to provide training in the development of fisheries. School facilities of the Ministries of Education and of Agriculture will be utilized. Admittedly these trainees will be initially sub-standard in performance, but they will be given intensive courses each year to improve their skills. Serious consideration will also be given to the possibility of using the existing (but temporary) under-utilized capacity and facilities at Alemaya College, to expand the emergency training programme for skilled agricultural workers. Finally, security forces civil action programmes will also help with regards to some skills.

Transport and Communications and Electric Power

24. The transport and communications sector is estimated to require 170 high level personnel (Class A), 1,300 intermediate technial and supervisory personnel (Class B), and 1,500 skilled workers (Class C). In electricity, the corresponding figures are 110 high level, 350 middle level, and 120 skilled workers.

25. In the highest skill category, the most critical need in these combined sectors will be for civil, mechanical and electrical engineers, needed primarily for maintenance and operating purposes, as well as for meteorologists and other technical personnel. The estimated output of civil, electrical and mechanical engineers from domestic institutions of higher learning is 40, 35 and 30 respectively, making a total of 105. It must be remembered however that there are other sectors, such as building and construction and manufacturing, which will exert demand on this common pool. On the other

hand, a significant proportion of the requirements for these two sectors (transport, communications and electricity) will be met by sending trainees abroad, and the large public corporations in these sectors, particularly EELPA, IBTE, IHA, EAL, CAA and so on, will be encouraged and assisted to develop their existing practices in this regard. Additional training, often with the help of overseas specialists, is also given by these institutions to upgrade their existing personnel. To the extent possible, government ministries and agencies will employ students of the Ethiopian University Service in their appropriate fields of specialization.

26. At the intermediate level, there will be a substantial demand for additional middle level technical and supervisory personnel. In transport and communications alone 1,300 will be required. In electricity another 350 are required, brining the combined total to 1,650. The intermediate personnel are essential for the success of the Third Five Year Plan objectives in these sectors, since they include such categories as maintenance workers for communications and power equipment, railroad mechanics, air transport skills (such as pilots, control and radio operators), and middle management or supervisory cadres, including flight hostesses and attendants, and sales and service personnel.

27. The supply situation is however quite promising. In-service training programmes which are well integrated and administrered will be expanded during the TFYP. As against the estimated net requirement of 1,650 middle level personnel, over 2,200 such personnel will attend formal courses of training to improve their skills in some cases, and to acquire new or higher skills in others.

28. At the skilled worker level (Class C) projections indicate a demand for 1,620 skilled workers (1,500 in transport and communications and 120 in electricity). Here it has been assumed that a substantial number of positions which ideally should be filled by truly skilled and trained workers, can initially be filled by semi-skilled workers who will be upgraded through on-the-job and in-

about 60 high level personnel; but again it will be possible to mitigate this shortage by employing some 40 third-year Alemaya students annually, who will be available through the Ethiopian University Service.

18. An estimated additional 1,440 middle level technicians (Class B) will also be required. The main existing training facilities are the intermediate agricultural schools located at Ambo and Jimma, and the school for training animal health assistants at Debre Zeit. By increased utilization of the facilities in these schools it is expected that about 600 technicians will be produced during the TFYP. In the past, only 56% of these graduates have been retained in the public service to meet manpower needs of the agricultral sector. If the plan in this sector is to be implemented, it will be essential that the bulk of these graduates be retained in the public sector. Ambo and Jimma have so far been regarded as "feeders" for agricultural and other institutions of higher learning, but from now on the two schools will produce only middle level technicians, and their programme and curricula have been revised accordingly. This policy will be strictly enforced by the Government.

19. Other sources of middle level technicians of various specializations will be:- (a) the school for training animal health assistants at Debre Zeit, which is expected to produce 125 technicians; (b) a new training centre for co-operative workers, to be opened not later than 1962, expected to produce 180 workers; (c) the Bahir Dar Polytechnic institute, which is expected to produce 135 agromechanics; (d) the new Forestry Training Centre at Jibat, which will produce 20 forestry technicians by 1965, provided that the centre begins operation not later than 1963: and finally (e) the proposed Land Reform Training and Research Institute to begin training in 1962 and expected to produce 90 middle level personnel by 1965. In addition about 110 workers will be given in-service training by the institute.

20. The foreseeable output from all the training sources referred to above during the TFYP is therefore 1,150, which means that there will be a shortfall of nearly 300 intermediate personnel. To offset the effect of this shortage, much more will be demanded of the existing stock of high level and intermediate personnel. Higher levels of labour productivity can be achieved by better utilization of the peresent trained manpower. This will mean more extensive as well as intensive use of their skills and capabilities, and will also require more effective organization.

21. In the skilled and trained category, the need for junior technicians, village level and farm extension workers and trained operatives of all sorts will be acute both in the short run and the long run. It is intended to develop the basic device of provincial farm training centres in different regions and provinces of the country. It is intended to establish and make operative 10 such centres during the TFYP. Without the establishment of such centres it will be difficult to overcome the constraint imposed on plan implementation by the lack of skilled workers. Ten operating farm centres would be expected to produce about 320 skilled workers, allowing for the operational phasing of the centres.

22. In addition to the 320 village and extension workers another 800 skilled employees will be needed during the TFYP. These include junior clerical and secretarial help, book-keepers and so on. There are no training institutions producing these categories specifically for agriculture, forestry and fishing. The sector therefore will have to draw on the general supply of such skilled and trained cadres, aided perhaps by draftees completing their service in the armed forces

23. The shortage of skilled and trained workers presents some difficulty for the implementation of the agricultural programme and emergency measures will have to be taken. The Extension Depart-

prove existing skills, in other cases their object is to impart new skills to fresh recruits.

13. Available data suggest that the most serious shortage in Class B will occur among science and engineering technicians, and to a lesser extent among middle level personnel in agriculture and health services. Every effort will be made therefore to accelerate programmes of training for secondary level personnel in these fields. A survey of training institutions in the public sector (to be extended also to the private secotor) is already being undertaken, to determine:

(a) current utilization of existing capacities;
(b) the measures which need to be taken to reduce the high failure and drop-out rates among students; and
(c) how to ensure rapid and effective placement of graduates from technical schools and other training institutions. For example, technical and specialized schools will be required to circulate lists of graduates, with their specialization, to field offices of the Department of Labour so that such graduates can be given employment counselling and placed in jobs without delay.

Skilled Workers

14. In projecting the requirements of skilled workers (Class C), account has been taken of the realities of the Ethiopian economy, in that a distinction has been made between those who will be fully qualified (i.e. have a secondary education plus some voational training) and those who will be employed, as a matter of necessity, with less than the desirable minimum educational qualification and training, but whose skills can be raised appreciably within the plan period by on-the-job training. Some 41,000 workers of this category will be required. The regular institutions are expected to provide almost half this requirement. The other half will have to be

provided by the training of workers already employed. Another source will be students who drop out between grades 9 and 12. A large proportion of the estimated 43,000 of such students will be eligible for recruitment and on-the-job training.

(iii) Manpower Projections for Major Sectors

15. Attention will now be focussed on the prospective sectoral demands for skilled manpower during the plan period. The extent to when the manpower needs will be supplied from domestic sources will also be discussed. The following pages bring together in more compact form the material contained in the various sector chapters. The estimates of manpower needs by sectors *exclude* the effects of attrition and to that extent understate the true requirements.

Agriculture, Forestry and Fishing

16. In this sector it is estimated that about 440 professional and managerial staff (Class A) will be required during the third plan. These are the trained agricultral specialists, research scientists and senior administrators required to improve and reform Ethiopian agricultre. The only important source of supply for such people within the country is Alemaya College of HSIU, which is expected to prouduce 200 graduates during the next five years. The absolute domestic shortfall is therefore 240, but this gap is expected to be reduced by about 60 Ethiopians who return from overseas, and by 120 expatriate personnel working on projects supported by foreign aid. The expatriate personnel include such agricultural specialists as animal and plant scientists, forestry officers and veterinarians, for whom either limited or no training facilities exist in Ethiopia.

17. Allowing for expatriate personnel, the net shortfall is therefore

service training. Present indications are that over 2,000 workers will be upgraded through regular in-service training by the efficient training institutions of the specialized governmental agencies. Unskilled workers will not be neglected. Already one agency (EELPA) provides adult (unskilled) in-service training and literacy courses for its work force. About 700 workers will participate in such courses during the TFYP.

Educational Services

29. To staff the the rapidly expanding educational services an estimated 1,340 degree, 1,080 middle level and 8,200 primary school teachers will be required during the TFYP. These figures do not make allowance for attrition which in the past has been a significant factor.

30. During the TFYP a modest, but growing and vital contribution will be made by the University to the supplying of highly trained secondary school teachers. But the University is likely to train no more than 540. After allowing for an additional 120 returning from overseas training, there will be a shortfall of about 680 teachers. It is expected, however, that the supply of Peace Corps Volunteer teachers will be maintained at its present level of about 400. The remaining 280 secondary school teachers must be recruited from abroad.

31. In the intermediate category about 920 of the required 1,080 junior secondary teachers will be produced, thus leaving a gap of about 160 teachers. Output in Class B, however, will also be increased by the supply of 270 technical teachers and 75 graduates with the primary school teacher's diploma.

32. In terms of manpower requirements, the major challenges will be to increase the number of primary school teachers by 8,000 to 9,000 in order to enable the enrolment of at least 616,000 childern in primary grades by 1965. The Ministry of Education and Fine Arts plans to produce about 8,000 of these teachers by utilizing existing training facilities at maximum capacity and by construction of new facilities. Achievement of these objectives will be dependent however on *verv strict adherence to the construction time-table.* Close integration of annual development programmes with plan targets will be essential.

33. Achievement of targets which seem feasible also pre-supposes that the rate of attrition experienced in the past will be reduced. If this is not the case, the problem of overcoming the supply deficiency will be very difficult. The experience of 1957 will illustrate. In that year 650 primary and secondary school teachers were produced. In the same year, some 500 teachers left the profession for various reasons. Thus, for all the efforts, there was a net increase of only 150. The establishment of the Ethiopian Teaching Service is one of the measures designed to correct this situation.

34, Finally, as a supplementary measure to offset supply deficiencies, the Ministry of Education will give in-service training to about 3,300 teachers and as many as possible of some 700 clearly sub-standard teachers are to be upgraded.

Mining and Natural Resources Development

35. Here there may be a need for about 140 university trained high-level personnel, such as mining engineers, hydraulic engineers, geologists and biologists. There is clearly no possibility of more than a very small number of these being trained in Ethiopia during the TFYP. The expectations are that about 10 geologists, 8 chemists, and several other scientists, such as biologists, physicists, etc. will

be available from domestic sources by the end of the TFYP. Plans are under way to increase the enrolment of geologists. More Ethiopians will have to receive training abroad, while vacant posts are filled by expatriates. An estimated 200 Class B middle level personnel will also be required, but again some of this demand is likely to be met by overseas contract personnel. It does not appear that Class C workers will offer any particular supply problems.

Health and Medical Personnel

36. This is a sector of most acute shortage of people at all levels of skill. The third plan projects an estimated need for 640 Class. A personnel, of whom about 260 need to be qualified doctors, to meet the targets set by the TFYP. Yet the maximum output which can be foreseen from the University Medical School during the plan is only about 40 physicians. At the intermediate level, about 850 persons are required of whom 370 would be nurses. The training institutions for middle level medical personnel (nurses, community nurses, sanitarians and laboratory technicians) are adequate to produce the needs of the public sector institutions. Of nearly 500 Class C skilled workers needed, consisting principally of dressers, about 3,070 can be supplied from domestic sources.

Manufacturing, Construction, Banking and Commerce

37. For these sectors, which in a sense constitute the core of the private sector, it appears that 2,160 personnel of managerial, professional and technical competence may be required. Managers are needed for sales, indurstrial relations, finance and accounting, etc. Engineers and professionals of many types are also required.

38. Specific output in the various categories for each of these three sectors cannot be segregated, as they all draw on the same training

institutions for their supply. On the other hand, the estimated total supply of Class A personnel (excluding in-service trainees) amounts to 3,000 and about 1,250 of these are specifically earmarked for agriculture, mining, education, and medical and health services. It follows, therefore, that only about 1,750 Class A Manpower are available to satisfy the demand for these three sectors and public administration. It is inevitable that one of another of these sectors will suffer substantial but indefinable shortages. One result is that new as well as existing enterprises will have to continue to rely heavily on expatriate personnel. The Government may, therefore, find it desirable, in these circumstances, to establish a schedule of occupational priorities for the recruitment of overseas personnel.

39. Manufacturing industry, specifically, is estimated to require about 700 Class A personnel to carry out planned development projects. Of these an estimated 200 will be provided by foreign contractors and investors. Engineers of various types account for 390 of the 700 Class A personnel required. The significant categories are mechanical engineers 105, electrical engineers 50, chemical engineers and specialists 95, and textile engineers 30. In leather technology, and wood and paper products, another 30 and 20 specialists respectively are required. At the management level, specific requirements include 145 managers and supervisors, 55 accountants, and 115 economists and sales and marketing specialists. For these management cadres the manufacturing sector, in common with other sectors, must look to the HSIU and Ethiopians returning from abroad for their supply. Specifically for the private sector, about 380 graduates from the Business College of HSIU will enter the labour market and so meet part of the demand.

40. In regard to building and construction, the key occupational categories are the architects, stuructural and public works engineers and other types needed to undertake and implement studies, designs and controls. Again, it is anticipated that foreign contractors will supply a number of the high level personnel in this sector, but it is not possible to venture an estimate.

41. In banking and commerce, likely shortages can be mitigated by continuing reliance on the practice of filling senior administrative and managerial posts by promotion. In the banks, for example, appointments to the senior managerial posts up to the present invariably have been filled by promotion through the ranks. Consequently, selection and recruitment have been concentrated within the clerical grades. Formal in-service training, varying from a few weeks to a full length 5 year banking course, has been put into effect by the larger institutions. The expansion of these kinds of programmes would do much to mitigate shortages of high level manpower during the TFYP.

42, At the inermediate level, the three sectors will present a very strong demand for Class B workers. In manufactqring alone, some 5,150 middle level technicians and supervisors will be required. Accountants or book-keepers, foremen, storekeepers, clerks, secretaries and technicians, will be required in the textile indurstry, leather and shoe indurstry, printing and publishing, chemical and allied products, metallic and non-metallic products and electrical products. Domestic training sources such as the technical and commercial schools will supply only a portion of these people.

43. While substantial increases in the supply of these categories will be dependent on the construction of new technical and comprehensive schools, a reduction in the very high attrition rates in the existing institutions could substantially improve the flow of graduates within the third plan period. Much more attention will have to be paid to teaching methods, the adquacy of school supplies, work materials and equipment; and extra-curricular remedial classes for sub-standard students should be introduced.

44. In regard to foreign financed and managed non-governmental institutions, it will be necessary to ensure that course content is oriented towards the realities of the Ethiopian environment.

45. In Class C, mechanics, electricians, machinists, welders, and all types of building trades craftsmen will be required, as well as subordinate clerical and secretarial help. An estimated 24,100 are required for these three sectors alone, while the projected output for the entire economy is close to 20,000. Clearly there will be need, especially in manufacturing, where about 12,000 Class C workers are needed to draw upon semi-skilled workers, increasing their skills by on-the-job training. Some of the measures to be taken to ameliorate the situation are indicated elsewhere in this chapter. Finally, it will be necessary to concentrate on administrative rationalization in plants and offices in all sectors so that the stretching of high level manpower will not lead to declining productivity.

B. Major Aims of Manpower Policy during the TFYP

(i) Manpower Survey

46. As indicated earlier there is a serious deficiency in manpower data classified by occupation and by industry. More accurate information will be needed to support specific policies in the important areas of education, vocational and on-the-job training, personnel administration, and utilization of manpower. Consequently during 1961-62 a manpower survey will be carried out by the Department of Labour, in collaboration with other ministries and agencies, so that an occupational classification can be elaborated for Ethiopia, and the basis laid for the development of a sound manpower information programme. A population census also will be undertaken during the plan period by the Central Statistical Office.

(ii) Training

47. A fundamental objective of the TFYP in the field of manpower is to see that the educational system becomes more closely related to the need for killed manpower of all types in the development of the country. Primary, secondary, vocational, and higher education,

will all play their appropriate roles in the process, but particular emphasis will be placed in the next five years on the secondary technical and vocational educational programmes.

48. In this respect a most important goal will be the effective utilization of the exiting training institutions. Many of the schools producing middle level personnel for agriculture, industry, etc., could make a better contribution to alleviate the critical manpower shortage of intermediate technicians than they do at present. The proportion of the students who do not complete the prescribed programme in many of the schools is high, and measures will have to be taken to ensure a more economic return from these schools. Furthermore, the programmes and curricula of the technical schools will be regularly evaluated to make them relevant to current market demands for the various categories of technicians.

49. Another goal of the TFYP is the establishment of new training institutions to fill the critical gaps which now exist. For instance, the Centre for Ethiopian Management, established in 1960, will be in full operation during the TFYP. The Centre will provide advisory and training services for Ethiopian entrepreneurs. Moreover, several teacher training institutions will be established to produce additional elementary school teachers. The implementation of the teacher training programme will be crucial to the realization of the projected expansion of the elementary school system. Other new training centres include the Land Reform Training Institute and the School for Forestry Technicians at Jibat.

50. A most important set of measures which the Government will undertake relates to the upgrading of existing skills, both in public and private employment. This applies both to intermediate level technicians, and, more importantly, to the skilled workers' category. In the public service, in-service training programmes will be expanded. The Institute of Public Administration will play a leading role in this respcet. But the ministries and agencies themselves will organize their own training programmes for the specific needs of their own staff. Wide-spread administrative reforms, details of

which are given in chapters VIII and IX, will be undertaken to ensure more effictive roganization, and thus better utilization, of personnel.

51. In the private sector, government financed advisory services and training institutions will be expanded. Consideration will be given to the introduction of incentive measures (i.e. tax relief) to encourage and assist employers to extend in-plant or on-the-job training. The Government is conscious that in the present situation it would be a mistake to rely exclusively on a system of formal education and training. In this connection the establishment of the Council for Vocational Training and its subsidiary boards should assist in the organization of training programmes for industrial workers. Legislation and other measures will be prepared in order to establish a comprehensive system of certified apprenticeships. The Pilot Development Training Centre will help develop an apprenticeship system for Ethiopia.

52. In addition, the Government will introduce an emergency programme for the training of workers within industry. In consulation with the private sector, it will proceed to draw up a "crash" programme for the upgrading of skills within industry and commerce. This will involve the use by night of the facilities of the technical schools and other training institutions. Such use has, in fact already begun. Recently the Confederation of Ethiopian Labour Unions, in collaboration with the Ministries of National Community Development and of Education and Fine Arts, began a vocational training project to improve the skills of industrial workers. Using at night the workshop facilities of three technical schools, the Centre will provide workshop and theoretical instruction for about 120 workers annually for the next five years. The course extends over 40 weeks and comprises 7 different groups of 15 or more, dealing with plumbing, masonry, carpentry, woodworking, and electrical installation and repair. Workers are released by employers in early evening to attend the courses. In-service training, on a regular and organized basis has been limited so far in the private

sector. An increasing number of firms, particularly the larger ones, are turning their attention to training and are appointing training or personnel officers. The Centre for Ethiopian Managerment will assist in the development of the emergency programmes, with the help of a senior expatriate training advisor.

53. As mentioned earlier, during the TFYP and even the fourth, Ethiopia's development plan will to a considerable extent depend on a substantial inflow of expatriate professional personnel. The domestic institutions of higher learning will not for some time to come produce engough of the right types of professional skills required. One of the priorities of the TFYP is the rapid expansion of the school system. The expansion of the secondary programme will almost entirly depend for some years on expatriate teachers. To a lesser extent other high level categories will also require technical and professional expatriate personnel. The Government will therefore pay special attention to its technical assistance programme. Multi-annual programmes of technical assistance based on projects of the TFYP will be prepared in co-operation with bilateral and multi-lateral donors. In this respect, the co-ordination and programming of technical assistance will be strengthened. Details of this are given in Chapter IX on the co-ordination of foreign aid programmes.

54. It is also recognized that the foreign scholarships programme should be closely related to the manpower needs of the country. The Government will make sure that only students who will benefit from further studies abroad will be sent. As a first step, the Government will review and, where necessary, revise present policies and administration with regard to the foreign scholarships programme. The secretariat of the Scholarship committee in the Ministry of Education will also be strengthened.

(iii) Organizational Measures

55. Adequate machinery will be required both for the co-ordination

of manpower policy and for the collection, processing and analysis of manpower data. The Department of Labour, of the Ministry of National Community Development, which was established for this purpose in 1954 has so far not been able to develop all the principal functions of a national employment service, such as occupational analysis and labour market information. During the TFYP the Department will be considerably strengthened with staff and funds in order to carry out its functions properly. For some time the Government has been conscious of the need to establish a high level manpower commission to co-ordinate policy. This has become especially acute with regard to the need to co-ordinate the programme of the HSI University. The Agricultural College at Alemya, the secondary teachers' programme, and the Public Health College at Gondar have all to be integrated into the Haile Selassie University programme. The main users of these training institutions are the Ministry of Agriculture, the Ministry of Education and the Ministry of Public Health. It is important that the programme for these institutions should be developed by the University in consultation with the ministries concerned. The Government will therefore establish a high level manpower commission to co-ordinate the policies of the institutions which produce high level, middle level, and junior technicians, and to advise the Government generally on the formulation and evaluation of manpower policy.

C. Employment and Labour Policy

(i) Public Sector

56. The Government intends to revitalize and expand the training and advisory services of the Institute of Public Administration. Established in 1948/49 with the help of the U.N. its constructive analytical work on organization and management, personnel administration, and related activities in a number of ministries and agencies, has not in the past been sufficiently utilized.

About 2,300 senior and lower ranking government efficials and public servants have participated in seminars and courses of varying duration. The administrative and organizational structure, staffing and physical facilities, financing, and objectives of the IPA will be reviewed, so that it may become more effective, and provide training for substantially larger numbers of public servants during the TFYP. The IPA will be linked to the Administrative Reform Committee, to be set up to carry out the reorganization and reforms required to facilitate plan implementation (See Chap. VIII).

57. The Government also intends to rationalize the civel service structure and administration, with the intention of instituting of a career service based on merit and qualifications. A formal classification of positions and classes, as well as effective placement procedures, will be introduced. The Government intends at the same time to review the numbers and levels of existing and proposed new posts within each category of the civil service. This will be one of the major responsibilities of the Administrative Reform Committee, acting in co-operation with the Central Personnel Agency. There is evidence that there are substantial numbers of employees in the lower categories recruited in the past who do not have the minimum required skills for satisfactory discharge of their duties and whose performance is therefore below standard. There is, therefore, tremendous need for in-service training programmes within the civil service itself. It should be possible to release a number of substandard employees for full time training without serious impairment of administrative officiency.

58. Within the adminstrative grades there is evidence that in many cases graduates are not performing duties commensurate with their training and capacity, because of the unwillingness of their seniors to delegate substantial duties and responsibilities. Better procedures are also needed to ensure the prompt and suitable placing of graduates. Even more crucial for the achievement of better utilization of staff is the need to permit greater mobility within the civil

service. Once a man has accepted a position in a Ministry, he is not free to leave, even though he is dissatisfied or has located a better opening. He can leave only with the consent of his supervisor. Yet it may be highly desirable for an official to be transferred, on promotion or not, either to infuse new blood and energy into a section or division or department of another ministry, or to give him an opportunity to better himself.

59. Finally, while it may be desirable from the point of view of national wage and salary administration to establish uniform salary scales and incremental steps throughout the civil service, the possibility of adjustments through special allowances or other means, to attract the high level manpower needed to fill key posts, should not be ruled out.

(ii) Private Sector

60. An important objective of government policy is to ensure that there is more effective placement and utilization of people in positions to which they are suited. The Government is concerned, for example, about the fact that, while there are reported shortages of skilled manpower in some sectors and regions of the economy, especially at the intermediate level, graduates of technical schools in certain regions still find it difficult to secure employment. It is evident that there needs to be closer collaboration and co-ordination between the Ministry of Education, the Public Employment Administration, and employers of labour. The Department of Labour will therefore expand its network of provincial and local employment offices, bringing the total to 13; in each of the area labour markets, in which they are located, they will bring job-seekers and employers together. They will also help to identify imbalance between labour supply and demand, and will recommend corrective measures. Greater geographic, industrial and occupational mobility on the part of the labour force is necessary at all levels, in the private sector as well as in the public sector. Tripartite Employment Advisory Committees on the model of the one already provided in Addis Ababa, will be set up in other places as necessary.

61. In expanding its network of employment offices, the Development of Labour will also make provision for the re-training and re-employment of workers disabled in accidents, as well as for the training and employment of many disabled young persons who have never been in employment.

62. Another important objective of labour policy will be the expansion of existing tripartite consultation machinery at the national level. Economic planning and development, to be successful, must involve the participation of as many as possible of the productive groups and classes in society. The views of organized employers, and of workers, will have to be taken into account in the framing of new legislation, and in the formulation of employment and economic policies. The Government, as well as representative organizations of employers and workers, will have to ensure the further evolution of effective collective bargaining procedures and sound industrial relations practices, so that industrial conflict may be minimized.

63. The development of voluntary procedures for conciliation, mediation, and arbitration will therefore be encouraged. Where, however, these arrangements prove inadequate, the Department of Labour will intervene and propose solutions. For this purpose, additional machinery will need to be set up, in order to bring dispute before Boards and Courts of Inquiry. The Labour Relations Broad will be strengthened to enable it to deal quickly with complaints and disputes which are brought within its purview.

64. The increasing social and material well-being of the wage earners will be an important objective of labour policy during the TFYP. The emergence of a more productive and stable labour force will not be possible unless it is well cared for, assured of reasonable standards of living, of welfare, of housing, and of working conditions. The worker will also look for some measure of security against sickness, disability and old age. Reasonable standards in these respects will be ensured both by administrative measures and

by further legislation. The Factory Inspection Service of the Department of Labour will be strengthened to ensure suitable standards of health, safety, and sanitation in factories and work places. Conditions of work of women, young persons, and children, will need special attention.

Chapter VI

The Natural Resources of the Nation

The Need for Study and Proposals for Development

1. This chapter deals with the main types of natural resources, including climate, soil, water and minerals. Particular attention is devoted to water resources, the other resources being more fully covered in the sectoral chapters for agriculture (Chapter X) and mining (Chapter XIII).

A. The Need for Studies

2. Perhaps the most notable feature linking these very precious national assets is the crucial need to learn more about them. The properties and qualities of the soil are little known; hardly anything is recorded of many rivers and lakes beyond their existence; mineral wealth may be important in future, but it is not yet possible to be certain about this.

3. There is a very real need for studies and surveys of all aspects of the economic life of Ethiopia, but none more so than in the evaluation of natural resources. The programmes described below underline this need for information.

4. Although expenditure and effort on studies may seem unproductive in the short-term, the justification for them is undeniable. The need to know as much as possible about a project is essential to minimize the risks associated with its undertaking. The negative factor — the elimination of projects which might have wasted resources — is equally important. But above all, the justification for

studies is based on the demand for good projects, not so much for the third plan but for the years beyond. Preparation of good projects takes time; it is essential that any five-year plan should include pre-investment and feasibility studies upon which an adequate stock of projects, for use in subsequent plan periods, can be based.

B. General Aspects of Natural Resources

5. One of the foundations on which the development of the nation must be built is the stock of its natural resources. The rational exploitation of these resources and their proper husbandry should form the basis of activities leading to increased productivity and welfare. While there is no doubt that Ethiopia with its range of climates, land, water and minerals is richly endowed with natural resources, a thorough knowledge of their availability and spatial (geographical) distribution is required for rational investment decisions, leading to their exploitation. Inadequate knowledge of natural resources restricts the number of projects from which a choice can be made; there can then be no assurance that the project chosen is the best one possible.

6. Although some progress was made during the Second Five Year Plan, knowledge of the country's resources is still very fragmentary. Since present project identification is necessarily excluded from large areas, by lack of data, steps must be taken to ensure that the necessary surveys are well prepared, efficiently organized, and lead to early identification of projects.

7. The results of surveys are often used by more than one ministry or agency. To ensure maximum utility, it is essential that sufficient consultation between departments takes place in the design stage, especially in surveys and studies of land and water resources. Administrative arrangements to be made by the Government for this purpose are outlined below; it is intended that data and survey results shall be made easily accessible and given wide distribution.

Mapping

8. Adequate maps are indispensable for the study of natural resources and for the planning of their development. Recognizing the urgent need to improve the supply of suitable maps, the Government established the Imperial Mapping and Geography Institute, during the SFYP. Its work up to date has been rather limited, but with new facilities and equipment now available, a period of greater productivity is planned. During the last few years aerial photography has covered most of the country at a scale of 1:50,000. A number of surveying and mapping instruments have been acquired. The much extended programme of work will therefore require the purchase of only a small number of additional instruments and equipment. However, the present training programme will need to be continued throughout the plan period.

9. Production of maps will mainly consist of photo-mosaics and photomaps (controlled and uncontrolled), topographic maps, and cadastral maps.

10. In view of the time it will necessarily take before a reasonable coverage of the country by topographic maps can be obtained, the production of inexpensive but extremely useful annotated photomaps will be speeded up, and the major part of the Empire should be covered in this way by 1965. The following production programme is envisaged.

Map Production Programme 1961 - 1965

Maps	Number of sheets				
	1961	1962	1963	1964	1965
Topographic maps, 1:50,000	10	15	20	25	25
Controlled photo-maps, 1:50,000	50	60	70	70	70
Photo-mosaics, semi-controlled, 1:50,000	200	200	200	200	200

11. Cadastral maps will be produced in accordance with the schedule of work of the Ministry of Land Reform and Administration.

Climate and Water Resources

12. The varied relief of Ethiopia and its geographical position cause great differences in the volume and time distribution of annual rainfall over the country. Well-watered parts of the Empire are the central and western areas and a number of rivers find their origin here. Almost all these waters — with the exception of the Awash and Omo rivers and the Rift Valley lakes — eventually leave Ethiopia to provide water to the neighbouring countries.

13. Large parts of the country have a climate and annual rainfall which is very suitable for agricultural production. Many Ethiopian rivers are likely to have important potential for the development of hydro-electric power in their headwater areas, and irrigation potential in the lower parts of their basins. However, sufficient data are not generally available to enable the selection of water resources development projects from a wide enough choice. Rainfall and other climatological data are being observed at too few stations; this fact means that there are likely to be considerable local variations in rainfall which go undetected. Of the major river basins, only the Awash and the Blue Nile have been surveyed, although even here the resources inventory is far from complete. A survey of the Wabi Shebelle basin was started in 1960. The available data on ground water resources cover only small areas. Little is known of the possibilities of small-scale surface water development.

14. Present water resources development is very limited. Hydropower development has been undertaken on the Awash river where a storage reservoir has been constructed and three hydro-electric plants are in operation. Small hydro-electric plants exist near Bahr Dar on the Blue Nile and near Jimma, Debre Markos, Debre

Berhan, Ghion, Hagere Hiwot, Dembi Dollo, Akaki and Ursso.

15. In the Awash valley, about 33,000 hectares are under irrigation and further 10,000 hectares are being developed. A survey undertaken by the Awash Valley Authority has shown that about 170,000 hectares could be brought under irrigation in the middle and lower part of this basin. The TFYP foresees a total of 68,000 hectares under irrigation by the end of the plan period, including especially the Melka and Amibara areas in the middle valley.

Climate

16. Ethiopia possesses a wide range of climates, due to its geographic location and relief. This enables the production of a great variety of crops but the large number of agro-climatic zones requires a much denser network of rainfall and climatological stations than exists, to determine the applicability of agricultural research results. Research efforts will also be co-ordinated to ensure that as many zones as possible are covered with maximum efficiency.

17. Some climatological and rainfall data are collected by a number of government departments and agencies in connection with their responsibilities for such activities as agricultural and irrigation schemes, hydro-power development and flood protection.

18. The very limited network of meteorological stations maintained by the Ministry of Communications to provide short-term weather forecasts for aviation is inadequate for climatological purposes. The role and the duties of the meteorological service will be reviewed, to ensure that a network of sufficient density and quality is established. Certain agencies, such as the Institute of Agricultural Research, will continue to collect climatological data for specific use. Additional climatological stations will be established by the

Water Resources Department in the course of their river basin surveys. The Awash Valley Authority will continue to collect climatological data as part of their hydro-meteorological activities.

19. There is a need for standardization of observation methods and instruments, as well as for central storage, processing, and the publication of climatological and hydro-meteorological data. Measures are now being studied to ensure the necessary co-ordination.

Water Resources Data

20. The further development of water resources will require the collection of much more data. The value of information on variable phenomena, such as rainfall and streamflow, depends largely on the length of records available. In particular, such records are indispensable for reservoir design and flood protection. The establishment of key-stations for the observation of this kind of data will therefore take place as early as possible.

21. Irrigation projects generally require large initial investments. Sufficient hydro-meteorologic, soil and agronomic data are therefore required to enable a sound and economic design, to minimize risks and to avoid failure. Hastily designed irrigation projects can easily lead to disappointment. However, the economic and technical feasibility of irrigation opportunities in the Awash valley have been studied sufficiently to be able to proceed with actual development (see Chapter XX).

22. The Blue Nile survey report of 1957 recommended that prospects outside the confines of the Blue Nile basin be considered and that it was important that the collection of basic data, streamflow records, quality of water, soil samples, climate data and other pertinent data be initiated in other river basins. Following this, surveys of the Awash river and the Wabi Shebelle basin have already

begun and surveys of several other basins will be established for each basin, but more intensive and comprehensive data collection, including soil surveys, will be undertaken at those places where development appears most feasible. Special efforts will be made to identify potential hydro-power sites in an early stage of the survey. Where they do not yet exist, river gauging stations will be established at each point where a major river leaves Ethiopian territory.

23. The Blue Nile basin in Ethiopia was surveyed during the period 1950-1956 under a co-operative programme between Ethiopia and the United States. The survey report identified a number of potential water development projects, both single-purpose (power and irrigation) and multi-purpose. The survey established a hydro-meteorological network in the basin; and the Water Resources Department of the Ministry of Public Works has since continued the routine observations. A revision of this network will be undertaken, in order to limit it to an essential minimum.

24. The most viable power project at this time in the Blue Nile basin in the Finchaa project. The construction will start in 1961 and is expected to be completed by 1965. The expected increase of electricity demand is not such as to make it necessary to construct additional major hydro-electric schemes during the plan period. On the other hand, provision should be made for faster development of power than is now envisaged. The feasibility study of a power plant using the water of the Amarti-Neshe river will therefore be undertaken at an early date. This study should take full account of the effect of flow regulation on possible irrigation in the Blue Nile and Awash basins.

25. Present projections of the demand for power indicate that the Finchaa plant will enable the inter-connected system to meet demand till 1971. Assuming that any subsequent hydro-electric plant will need to be a major one, requiring a period of some seven years for preparation and construction, it should be decided by 1964

where this plant will be constructed. No information in respect of the hydro-power potential of the Tekkeze and the Omo rivers exists and the proposed surveys of these basins will concentrate on early identification of possible hydro-sites and their preliminary evaluation. Comparison can then be made with the potential sites already identified in the Blue Nile basin and with the potential geothermal power development in the Rift Valley, the study of which will be undertaken early in the plan period by the Ministry of Mines, in close collaboration with the Water Resources Department and EELPA. In order to maintain the greatest possible choice and freedom of decision, detailed studies of large hydro-electric plants (other than the Amarti project) will not take place before the second half of the plan. The study of some small hydro-power sites will be undertaken in those areas which are not expected to be connected with the national grid at an early date.

26. The Blue Nile survey was a preliminary one. Much more detailed work must be undertaken before the economic feasibility of the projects proposed in the report can be established. This is especially true of the irrigation projects for which heavy investments and high costs per hectare are predicted. In respect of the use of land resources, the survey restricted itself to the potential for large scale irrigation in the various valleys without assessing their suitability for rainfed farming, or small-scale irrigation. During the TFYP, therefore, special studies will be made in certain areas (Finchaa, Angar, Lekemt, Wama, Dabana, Dabus, Beles) to increase knowledge of the climate, soil properties, feasible cropping patterns and, because the areas are now sparsely inhabited, environmental health aspects.

The Rift Valley Lakes

27. Because of fairly rapid recent development in the Rift Valley lakes region a systematic inventory of the land and water resources

of the area will be undertaken early in the plan period to enable rational land use planning. Such planning is urgently needed, in particular as it appears that some land uses may be competitive, such as lake shore tourism, lake shore agriculture, and the conservation of wildlife. Wildlife proposals for the area are described in Chapter XIX. Other development needs include lake fisheries (which must be controlled to present possible over-exploitation). The further development of irrigation based on Rift Valley lakes and streams will also be urgently studied. While this region is being developed by both government and private enterprise, its further exploitation must result in balanced growth within the region and the proper use and conservation of the available land and water resources.

Other Major Rivers

28. The Government has recently completed, with French assistance, the first year's work on a preliminary survey of the Wabi Shebelle basin. The further survey programme in this area will depend on the interim report now being prepared. The data collected range from hydrological observations to land use and capability studies, including agro-economic and marketing studies. The development potential of large parts of this basin, particularly in the south-east, are clearly very limited owing to lack of adequate soil and water; but it is expected that the report will indicate some areas where regional development programmes may lead to better use of available resources.

29. The Omo and Tekkeze basins are not far remote from the areas where energy demand is expected to increase. The hydro-power potential of the Omo and Tekkeze is virtually unknown, and their irrigation potential has never been assessed. A survey of these rivers will be undertaken to compare the economic merits of their hydro-

power sites with that of potential power sources elsewhere, and to evaluate the possibilities for irrigation.

30. Very little is known of the land and water resources of the Baro-Akobo basin. There are indications that large areas of this remote region may be suitable for agricultural development. Since communications with the area will be improved during the TFYP, the collection of data will be started along the main branch of this river system. A more comprehensive study will be undertaken of the land and water resources of the north-eastern part of the basin in the highland portions of Illubabor (see also chapter XX).

Water Supplies—Urban and Rural

31. Urban water supply is the responsibility either of the Municipalities (Addis Ababa and Asmara) or of the Ministry of Interior. The Ministry will provide a safe water supply to 60 towns during the TFYP, in close co-operation with the Water Resources Department and the Ministry of Public Health. Particular emphasis will be laid on efficient maintenance of existing and new water supply schemes. The water supply programme will therefore include appropriate provision for training and adequate budgets for maintenance.

32. In the rural areas generally, little is known of the possibilities of improving existing sources of water, of providing storage facilities for the dry season, or of establishing new water points. A national survey programme for potable water supply will therefore be initiated in the first year of the plan by the Water Resources Department. While the whole country will ultimately be covered by this survey, the areas of Awasa, the Rift Valley and Borena will be covered first. Related large-scale ground water surveys will be undertaken on the initiative of the Water Resources Department and as co-operative effort with the Geological Survey Department.

33. It will not be possible for many years to provide every village and farm with a safe water supply but self-help schemes and community development programmes are expected to provide local contributions towards costs, so that the number of water points constructed with the Government fund available can be increased.

34. The Rural Water Supply Division of the Water Resources Department will drill twenty boreholes in various parts of the Empire in 1961, and this number will increase annually to 40 wells in 1965, with a total of 150 wells planned for the five-year period. These boreholes will be provided with pumps and storage tanks; water supplies from surface sources and springs will also be improved or established.

Administration of Water Resources Development

35. The national planning of water resources development must take into account many economic and social aspects. It has become clear that there is a need for greater co-operation between the many ministries and agencies involved in the earlier stages of project conception than has been possible in the past. The lack of hydrological and climatological data, and the need to conserve funds, make it all the more necessary that survey programmes, data collection and processing, as well as research, should be designed to serve most efficiently both the users of routine data and those concerned with project planning.

36. The Government will, therefore, create a Water Resources Council under the chairmanship of the Minister of Public Works, which will advise the Government on all aspects of water resources development and data collection, including co-ordination of activities.

37. The Water Resources Council will:

(a) advise the Government on the broad policies and strategy for development of the surface and ground water resources of the Empire;

(b) advise on the terms of reference of all basic surveys and studies, in which water resources are involved;

(c) review periodically the adequacy of existing observation networks and determine priorities for extension and/or intensification of observations; ensure the standardization of methods of observation and collection of data;

(d) review all plans, programmes and projects concerned with the use of water, giving special attention to projects which may serve more than one purpose and where the various water uses might conflict. The Council will be responsible for recommending development priorities to the Ministry of Planning and Development;

(e) develop the broad economic and social criteria for an appropriate pricing policy and regulatory measures for water use for irrigation, urban and rural water supply and other water use;

(f) assist the Government in the preparation of suitable water legislation;

(g) prepare an annual report on progress made in the development of water resources in Ethiopia.

38. The Water Resources Council will have an executive agency, the head of which will perform the functions of the Executive Secretary to the Council. The existing Water Resources Department will be transformed into this executive agency — the Water Resources Agency. Through the Agency, the Council will collect data; make river basin surveys; prepare feasibility studies; design and contruct rural water supplies; control water pollution; administer water rights and supervise legislation; co-ordinate collection and publication of hydrologic, meteorologic and related data.

39. The Agency will also design and construct water development projects at the request of other government departments; where departmental works are to be constructed, the Agency will cooperate to ensure that design and operation are satisfactory.

40. The Council should be sufficiently and broadly constituted to represent adequately all relevant institutions and government agencies which are involved in water resources development, or which otherwise could contribute usefully to the formation of soundly based policy and practice.

41. The following Ministries and Agencies will be represented on the Water Resources Council: The Ministries of Public Works, Planning and Development, National Defence, Agriculture, Commerce and Industry, Public Health, Communications, Interior, Land Reform and Administration, National Community Development and Mines; the Ethiopian Electric Light and Power Authority; the Awash Valley Authority, and the Science Faculty of the Haile Selassie I University.

Water Resources — Expenditure Programme

42. The following table sets out proposed expenditure on the main surveys and data collection programmes for the TFYP (excluding the capital and current expenditures of the Awash Valley Authority):

Soil Resources

43. Adequate information on soil resources exists only for limited areas of the country. The survey of the Awash basin includes reconnaisance soil survey of the most promising areas and more detailed surveys are being undertaken in the areas earmarked for early irrigation development. A recent survey of the areas around Debre Zeit, and the lowlands south of Humera, has resulted in

more information on their soils. Also some reconnaisance data have become available in the course of the Wabi Shebelle and the Blue Nile surveys. Generally, however, lack of knowledge of the soils seriously limits the amount of advice which can be given to farmers by the extension services. The existing soil map of the country is neither sufficiently accurate nor detailed to be of practical use in project development. Preliminary analysis of recent field experiments on fertilizer response confirms previous assumptions on the nitrogen and phosphorous deficiencies of most of the black and red soils of the highlands of Shewa, Wollo, Wollega, and Arussi. It is intended to continue the sampling programme for another two years. When an extensive programme of fertilizer application becomes feasible, a greater demand for soil analysis is bound to arise.

Expenditure on River Basin Surveys and Water Resource Data Collection (Selected Items) 1961 - 1965

(000 $)

	1961	1962	1963	1964	1965	Total
A. **Basin Surveys**						
Wabi Shebelle	1,740	1,800	1,000	480	-	5,020
Tekkeze	300	800	1,500	1,200	1,000	4,800
Omo	350	700	800	1,000	1,000	3,850
Baro	-	100	300	500	700	1,600
Rift Valley Lakes	400	600	700	700	600	3,000
Barka	-	-	-	150	100	250
Genale - Juba	-	-	-	300	500	800
Border river gauges	190	90	90	90	90	550
Blue Nile Observation Programme	800	700	700	700	700	3,600
B. **Other Surveys**						
Hydro-meteorology and climatology	51	100	50	50	50	301
National water supply survey	160	150	150	150	150	760
	3,991	5,040	5,290	5,320	4,890	24,531
C. **Feasibility Studies**						
Blue Nile potential agricultural areas	500	400	400	-	-	1,300
Amarti-Neshe project	195	200	300	-	-	695
Others	-	-	500	1,000	1,500	3,000
	695	600	1,200	1,000	1,500	4,995

44. The more detailed studies which are to be undertaken in some of the sub-basins of the Blue Nile will include a more extensive series of soil analysis than has been possible hitherto. Additional information will also be collected in the lowland area south of Humera. The surveys which are to be taken of the Omo, Tekkeze, and Rift Valley lakes area, will also include some reconnaissance soil analyses.

Soil Conservation

45. Clearing and cultivating of land, deforestation to supply fuel wood, overgrazing, and the construction of unprotected road drainages, have all accelerated the natural soil erosion process with serious economic effects. The Government is aware that this misuse of land is a serious threat to a major national asset. Fortunately, techniques are known which can solve erosion problems and can restore and maintain the continuous productivity of the land. The introduction of these techniques will be started in the Third Five Year Plan. The Government intends to establish a Division of Soil and Water Conservation in the Ministry of Agriculture, to stimulate and assist the provincial agricultural officers to develop soil and conservation by the farming population. Technical advice to the Conservator of Soil and Water will be the responsibility of the Institute of Agricultural Research. Extension agents will receive specialized training in conservation techniques. Special attention will be paid to erosion control in the Awash valley, to the protection of roads from the slopes above them and to improving road drainage which at present is causing much gulley erosion. The present destruction of the remaining areas of rain forest, especially in the south-west highlands, will also be brought under control.

46. The summary table below gives total costs of soil conservation for the plan period:

Proposed Expenditure on Soil Conservation Measures

						($000) Total
	1961	1962	1963	1964	1965	1961-1965
Capital Expenditure	133	441	23	23	7	627
Recurrent Expenditure	190	800	1,110	1,290	1,320	4,710
Total	323	1,241	1,133	1,313	1,327	5,337[1]

[1] Includes the $609,000 development budget allocated to the Division of Soil and Water Conservation in the Ministry of Agriculture.

Mineral Resources

47. Since mining has been dealt with in Chapter XIII the need for mineral resources data is the main subject covered here. The lack of adequate knowledge of the nation's mineral potential is serious: while Ethiopia is likely to possess considerable mineral resources of economic interest, sufficiently detailed information is not yet available for exploitation on a significant scale.

48. The data on which mining activities can be based will become available only through systematic exploration and properly conducted surveys.

49. In order to collect, co-ordinate, examine and disseminate the greatest possible amount of data pertaining to the mineral resources, actual and potential, of the Empire, the recently established Geological Survey Department will be expanded to carry out the principal functions given below:

(a) to collect, add to and be responsible for the maintenance of all data on mineral resources in Ethiopia;

(b) to co-ordinate the activities of all other organizations whose work is relevant to mineral resources;

(c) to assess all available data by suitable methods;

(d) to keep records; prepare charts and maps; collect and analyse samples and publish or otherwise make available geological and/or mineral data;

(e) to assist the Ministry of Mines in any relevant activities and particularly in making technical reports, advising and reporting on granting of concessions and priorities for the exploration or exploitation of specific minerals and areas.

50. One of the results of the work of the Geological Survey Department will be a series of geological maps of the Empire. Areas in which mining activities already exist will receive prior attention as will areas not being exploited at present but which possess a structure indicative of possible mineralization. An organized topographic base is essential for undertaking geological survey work. Geological mapping will therefore be undertaken in close cooperation with the Imperial Mapping and Geography Institute.

51. Besides the search for minerals, there are two other fields in which the Geological Survey Department, will intensify its activities.

52. The knowledge of the occurrence of underground water being very limited, appropriate hydro-geological surveys will be undertaken in co-operation with the Water Resources Department as the initiating agency.

53. A start has recently been made regarding prospecting for geothermal power resources in the Ethiopian Rift Valley because of indications that the geothermal energy potential of this area could

be very important. In undertaking these surveys, close cooperation between the Geological Survey Department as the initiating agency and EELPA and the Water Resources Department will be maintained.

Chapter VII

The Policy Imperatives

Introduction

1. The Government appreciates the critical importance of sound policy formulation and effective execution for the implementation of its development plan. Together with appropriate public administration and institutional arrangements, policy is perhaps the most important aspect of the development process. It can, in fact, often do more for development than large amounts of public investment or development expenditure, however well planned.

2. The third plan represents the development strategy of the Government for the next five years within which the basic policy decisions and administrative measures will be taken. The first and fundamental policy commitment of the Ethiopian Government is to introduce adequate implementation measures to ensure the success of the plan.

3. The discussion of specific aspects of policy that follows cover the following key topics briefly but concretely:

(a) Policy as regards the planning process itself, with particular emphasis on annual planning and budgets:

(b) Fiscal and financial policy, including money, banking and credit:

(c) Investment policy;

(d) External trade and balance of payments managements;

(e) Domestic trade and commerce;

(f) Manpower policy;

(g) Key sectoral policy measures;

(h) Regional policy.

A. Strengthening the Planning System and Its Links with the Budget

4. A development plan must normally be submitted to annual review and modification, in the light of actual developments, new data, and a changing appreciation of what is feasible. The best device, and the one which the Government intends without delay to adopt, is to link the five year plan with each current year through the practical instruments of annual programmes and annual budgets. This will be brought about through the following measures.

(a) A "framework" plan will be prepared showing the nation's prospective economic performance in the year ahead, based on the analysis and estimates of available resources and their uses. This constitutes the "Nation's Budget" and provides a framework for governmental fiscal budgets;

(b) The Central Government budget itself is the core of fiscal operations. But the traditional dichotomy between capital budget and recurrent expenditure budget, each treated separately, as still exemplified in the recently approved 1961 budget, is inadequate for modern fiscal and planning administration. Starting with the 1962 budget, the Government intends to initiate and pursue the policy of integrated development budgeting, combining capital and recurrent expenditures for programmes and projects. The development budget is to be differentiated from the ordinary routine administrative budget. Legal and administrative changes required to effect this new procedure will be prepared early in the fiscal year 1961:

(c) The development expenditure budget programmes and projects must and will be accompanied by clear and definite indications of the policy decisions and administrative measures that will be required to carry them out;

(d) The expenditure budget will be matched by a revenue budget giving a clear analysis of the domestic and external resources required for financing the programmes. This will be shown according to source, and will indicate the policy decisions and measures required to be taken;

(e) The Government recognizes the inadequacy of dealing merely with the Central Government budget. Its new policy, starting in 1962, is to move rapidly towards the concept and reality of a Consolidated Public Sector Budget. This will also include the revenue and expenditure budgets of the autonomous public corporations, agencies and trusts now wholly or partly outside the framework of budget. It will also move towards incorporating the annual budgets of autonomous provincial and local administrative authorities. For 1962, the minimal objective is at least to include the budgets of the principal 15 or 29 autonomous public corporations as an appendix to the Central Government budget, presented in the way already indicated.

B. Fiscal and Financial Policies

5. A central concern of the plan is the effective mobilization of

adequate financial resources. This involves appropriate stimuli and incentives to private sector savings. But it means in particular an emphasis on general Government and public sector finances to increase effectively the volume of public savings available to provide investment finance. The quantitative implications of what must be involved in this are set out in considerable detail in Chapter II above. From the analysis several clear policy imperatives flow.

Tax Revenues

6. The Government must have a steady and substantial increase in tax revenue. The policy of improving yields through better tax enforcement and administration is of first priority. Every effort is being made to improve the yield of *direct* taxes, especially on income, through the adjustment of rate schedules and the imposition of new forms of tax, such as estate duty. The need is likewise recognized for the study and ultimate adoption of more adequate land and property taxes as part of a modern tax system, particularly suitable for the financing of local government expenditure, thus releasing central government funds for direct national development purposes. *Indirect* taxes will also provide expanded revenues. Some of the tax rates in the transactions and excise taxes can be increased and better integration and harmonization of these taxes on both domestic and import goods will be introduced. The Government intends to use the findings of the present inter-agency customs tariff committee to raise a number of import duties of a revenue nature where this is feasible, while, at the same time, making a systematic and rational revenue of the entire tariff structure. In the area of non-tax revenues, it is the Government's intention to review the tariff rates and charges of various utility services to see if the direct revenue of such public enterprises can be increased. The reduction or elimination of operating deficits, wherever possible, will mean a lessening of the drain on the Central Government budget through subsidies and should lead in fact to positive surpluses or savings on the

part of many such public enterprises. Where enterprise deficits are deemed necessary in the public interest, however, they will be covered by explicit indemnities paid out of Central Government budget. Other avenues for increasing non-tax revenues, such as licences, fees, etc., will also be carefully explored.

Current Expenditure

7. Government policy is dedicated to the controlling and rationalizing of current consumption expenditures. The overall rate of increase must be brought to 8 per cent *per annum* at constant prices or at 9.5 per cent at current prices. The Government is determined to limit any further expansion of the pay rolls in general public administration and defence. Limits will be imposed on total employment, and wage salary increases will be strictly controlled, allowing appropriate, however, for the up-grading of those categories of public employees whose productivity and morale are vital to an efficient public administration. There will be careful studies and measures taken to rationalize the use of all kinds of consumable materials in government offices, as well as of fuel and vehicle repair expenses. Stress will be put on enhancing the general "productivity" of services rendered by public employees.

Capital Expenditures

8. The Government's plan at present sets forth an investment programme for capital expenditure based on full consideration of the needs and capacities of the economy. While moving rapidly towards the idea of development programmes and budgets, as set out needs and capacities of the economy. While moving rapidly towards the idea of development programmes and budgets, as set out above, it is the policy to keep capital expenditure, through the annual budgets, in strict conformity with the plan. It is also firm policy to

seek increasing efficiency in the utilization of the capital expenditures through proper supervision. Policy in this entire area will distinguish clearly, but integrate effectively, the allocation and use of domestic resources (revenues), and the use of available foreign exchange in the form of external grants, loans and credits.

Financial Intermediaries

9. Part of the Government's financial activity for development is expressed through the transfer of funds, effected by financial intermediaries, either to enterprises in the public sector itself or to enterprises predominantly in the private sector. Recognizing fully that the present policy and operation of existing financial institutions might be more effective, the Government intends to adopt new policies in this field. There will first of all be a clear formulation and enunciation of the proper division of responsibilities and operations of each of the existing financial intermediaries. In the second place, a clear classification is being adopted among the different types of enterprises in which the Government intends to participate either wholly or only in part. Different policies and operating procedures will be adopted for enterprises according to their classification as public utilities, or as large-scale enterprises of a small-scale, agricultural and artisan nature. Policy, however, is that in every case the Government, while giving its financial support through the financial intermediaries, will permit as much management and operating autonomy to the enterprises as possible. It is also the Government's intention to strengthen the financial resources of the development finance institutions; specific measures for doing so are proposed. (See Chapter IX).

Money and Banking

10. The role of the banking system for the realization of the develop-

ment plan is being thoroughly examined. Unavoidably, the third plan requires a certain volume of deficit financing. This will necessarily involve the Government in increasing its funded debt; and ways must be found to have government bonds taken up increasingly both by the National Bank and by the commercial banks of the country. Flexibility in government financing suggests the need for the creation of treasury bills, or other short-term paper, which can be discounted at the National Bank. It is the Government's intention to explore policy measures which would enable the private commercial banks to provide long-term capital to the financial intermediaries, and enable them to buy the debt instruments already mentioned. These measures would provide greater amounts of development capital. At the same time, the commercial banks will be expected to provide more flexibility in financing the working capital needs of all types of Ethiopian enterprise. Clarification of these revised policies in the money, credit and banking fields, is now being worked out between the Government and the National Bank of Ethiopia. It is Government policy to ensure that measures designed to allow greater flexibility in credit expansion for development; and these measures should also stress the equal need of credit contraction and control whenever essential price and monetary stability are endangered.

11. Along with a greater flexibility in banking policy there is a specific need to lay the foundations for co-operative banking, particularly to meet the rising demand for agricultural credit and the needs of cottage and small-scale industries. Such banking is so far unknown in Ethiopia. For this reason, among others, the number and types of co-operative societies have to be significantly increased; steps will also be taken to strengthen the system of co-operative administration, on a regional basis. The banking system will be called upon to channel more funds into co-operative organizations and rural development generally.

C. Investment Policy

12. In adhering to its development plan, both in the five-year term, and in the annual programmes and budgets, it is the Government's intention to ensure that unplanned projects are not allowed to upset the financial plan or to divert the investment priorities. So far as public investment projects are concerned, they will receive budget allocations only if they are included in the plan and if they meet the requisite conditions required by budget law and procedure. In the case of private investment, government policy puts major stress on the appropriate fiscal and other incentives and inducements to elicit appropriate investment responses. Contact will be maintained with the private business sector; increasing stress will be placed upon surveys and analysis of private investment activity and intentions, in order to inform government programming and policy actions. To ensure efficient plan implementation, including the obtaining of financial support, the Government intends immediately to begin strengthening the project identification and preparation capacity of all operating government ministries and agencies.

D. External Trade and the Balance of Payments

13. The Government is fully aware of the critical importance of the balance of payments problem facing Ethiopia. Everything will be done to reduce the gap between imports and exports; policy decisions and measures have to be adopted to this end. Some of the steps to be taken are the following:

14. Increasing emphasis will be put on the policy of promoting exports. Primary reliance must still be put on agricultural and livestock exports. Nevertheless, maximum effort will also be put into developing the export of non-agricultural products. It is the Government's intention to widen the market for traditional exports of

coffee, livestock products, oilseeds, etc., through increased emphasis upon improved standardization and quality control. At the same time, attention will be given to the importance of external market research and direct trade promotion through appropriate machinery, (see Chapter VIII). The export of services, now a favourable item, will be further stressed through a policy of improving and expanding Ethiopian air and shipping services, as well as through an active policy of promotion of tourism and business travel to Ethiopia. A developing economy requires ever larger quantities of imports. But government policy should continue to emphasize the maximum amount of import substitution, whether of finished or intermediate goods or raw materials. Effort will be made to increase the use of local raw materials and skills. Reasonable protection will be given, but in a manner still designed to put pressure on Ethiopian industrialists to become efficient and low-cost producers. The use of direct import controls will be avoided or minimized.

15. As regards capital inflows, the investment law and appropriate tax incentives will be used to induce desirable private direct investments. Official policy welcomes foreign private investment, particularly if it comes with long-term intentions to strengthen the domestic economy.

16. The Government will seek capital support especially from external official sources for its public investment programme, on the most favourable financial terms with respect to duration of loans and interest charges possible. There will be an avoidance of undue reliance on onerous supplier credits tending to place a heavy burden on the balance of payments, particularly in the next few years. It is the Government's policy to maintain adequate gold and foreign exchange reserves at all times, amounting at a minimum to about 4 months of the current level of imports. Finally, it is the intention to effectuate much better co-ordination of external aid programmes than in the past. This covers both the receipt and use of capital

loans and grants, as well as funds under technical assistance programmes.

E. Domestic Trade and Commerce

17. The development of *domestic trade*, of considerable importance in the process of transition from a subsistence to a cash economy, is expected during the Third Five Year Plan to play an even more important role than hitherto. Monetary G D P is expected to rise by 9% yearly, and this implies a much larger volume of both wholesale and retail trade transactions. It is the Government's policy to foster this evolution and to see that it comes about in an orderly and efficient manner. Steps will be taken at once to increase and improve the quality of the information available concerning internal trade. It is government policy to ensure that systematic and periodic surveys of distributive trade will be carried out not only in the Addis Ababa area but also in the other towns and provinces of the country. In this way the necessary information pertaining to the levels and pattern of domestic trade throughout the Empire will become available, permitting the design of appropriate policies and measures.

18. Special attention will be paid to primary produce marketing and the processes by which produce is offered for sale in the large consumer centres or in export markets. Appropriate policies will be formulated particularly to assure to producers a more equitable share of the final consumer price of their products, thus providing greater incentives to farmer producers and linking them more closely to the retail marketing process.

19. During the whole plan period it will be necessary to keep under review, and to check undue fluctuations in, the prices of domestic goods traded within the country, through policies designed:

(i) to keep the prices of exportable products and commodities at a competitive level in world markets; and

(ii) to check internal inflationary tendencies and especially to avoid undue increases, caused by temporary local shortages, in the prices of staple foods or other commodities.

20. Assistance will be extended to Ethiopian nationals engaged in commerce, so that they will become more efficient and secure a greater share of both domestic and external trade. Such assistance will take many practical forms, including educational and training courses, trade credits, and other forms of financial assistance. The aid of both existing and newly created local chambers of commerce will also be sought, and a federation of such chambers will be established. By encouraging the collection and dissemination of marketing and price information, and by the creation of associations of traders or trade co-operatives, they can assist in the strengthening of the role of domestic traders.

F. Manpower Policy

21. The third plan clearly demonstrates the large problem faced with regard to increasing the supply of skilled manpower at high and medium levels. A tremendous task is imposed upon the nation in training increasing numbers of such people, in recruiting others from abroad, for the interim period, and for improving the placement and utilization of the scarce skills available.

22. The fundamental policy regarding manpower is to relate the educational system at all levels far more closely than at present to manpower needs of the third plan period and beyond. This requires above all an extra emphasis on scientific, technical and vocational education, particularly at the secondary level. The Government intends to construct new training institutions, at appropriate sites,

to meet this need. Policy also includes more efficient use of existing capacity. The Government is already strengthening the civil service machine, in order to improve public administration, whether at the centre or in the provinces. It is the Government's intention to improve the general mobility of labour in every sense. Finally, it is an important element of policy to strengthen the statistical service, so that manpower and labour market analysis can play their part in development.

G. Sectoral Policies

23. Detailed discussions of policy measures are set out in the chapters dealing with specific sectors. Here mention is made only of those specific sectoral policies which have over-riding importance in national policy and plan implementation.

24. *In agriculture*, government policy is to stress the rapid expansion, particularly in the modern commercial sector, of farming and livestock. This is essential in order to secure the maximum short-run impact on production and supply for the cities, as well as for export markets. It is also important because it accelerates the structural transformation of the agricultural economy, so necessary in the long-run. At the same time, government policy will pay much attention to the problems of the peasantry and their essentially subsistance type of farming. Their increasing inclusion into the modern commercial economy will be accelerated. Well-selected and integrated "package" programmes are being rapidly designed to achieve results in this direction.

25. Government policy, as already noted, is being directed increasingly to problems of efficient marketing of agricultural products. Assurance of their orderly and timely shipment to internal and export markets involves policy decisions and programme actions, in matters of transportation, storage, marketing organization, and credit. The Government is studying alternative policy approaches and programmes for more adequate flows and more efficient organization of agricultural credit for small, as well as large farmers. It will insist on better storage and shipping facilities. All these are necessary, if prices are to remain stable, both for farm producers and for consumers throughout the Empire. Because of the importance of staple food crops in the expenditure of each family, the effect of farm prices on the cost of living in urban centres must be constantly watched.

26. In the case of coffee, Ethiopia's most important export crop, policy emphasizes the diversification of agriculture in the growing regions, and an improvement in the quality of coffee processed for export, so that it may obtain more favourable prices in world markets. It is also the intention to see that the vast livestock herds of the country are converted into high-quality products, both for satisfying domestic needs, and for export opportunities. The questions of land and agrarian reform must find far more effective solutions, starting in the third plan. The Government will carry out the necessary cadastral surveys and land registration. It will also place emphasis on measures for soil and water conservation, including the control of deforestation, and programmes for afforestation. Legislation and administrative measures are being formulated for early submission to Parliament on these matters. In future, much greater policy stress will put on adequate studies of the soil and water resources of the nation, to permit long range planning of viable projects.

27. In the field of *manufacturing*, it is the objective of the third plan to double the contribution of this sector to the gross domestic

duct over the next five years. Government policy must therefore encourage the increasing processing of local raw materials — especially agricultural, forests and mineral products — for internal and foreign trade markets. As noted, efficient import substitution will be encouraged wherever possible. Appropriate measures will be taken to improve capacity utilization. The development of new urban growth centres, based upon industrialization, will be stressed in order to open up new employment, on a local and regional basis, and to improve the training of skilled manpower. As part of the trade expansion policy, particular attention will be given to the prospects for manufactured exports, especially to the East African Economic Community. Every possible reasonable encouragement and incentive will be given to private business management to develop new industries and expand old ones. Emphasis will be put especially on the development of Ethiopian entrepreneurship and management. In the case of small-scale artisan or handicraft industries, simple capital saving technologies, which provide maximum employment, will be encouraged, in order to impart useful skills, and provide higher incomes, especially for rural workers. The linkages of artisan industry both to agriculture and modern industry will be stressed. This is all part of the programme to promote increasingly decentralized and regional economic development activity.

28. *Mining* development requires wise and efficient policy. It is the Government's firm intention to see that the goals for the sector of mining are fulfilled, as they are crucial to the national objectives. In this field, the Government places the highest priority on systematic surveys and studies concerning the mineral potential of the country. Accordingly, the geological survey and mapping services of the Ministry of Mines will be expanded and strengthened. The Government intends to permit increased enrolment in the geology department of the Haile Selassie I University. The new Mining Code is expected to go to Parliament shortly for enactment early in 1961. In the investment law, government policy will express special

concern for mining in special tax provisions, in order to offset depletion and the special risks involved. Every effort will be made to encourage both domestic and expatriate private investment in mining enterprises, with appropriate stress on the training of Ethiopian management and skilled workers. In general, to the extent that the Government will participate in mining, it will do so through independent, corporate enterprises

29. In *electric power*, the main objective of the plan is to anticipate and meet the power needs of an expanding economy. Government will continue to reinforce its present policy of careful preparation of projects both for industrial and for commercial power, as well as for domestic household electricity. Studies will be made of appropriate sites and sizes of both hydro and thermo plants to meet foreseen demands. It is the Government's basic policy to ensure adequate, steady supplies of high quality electric power to all classes of consumers at the most reasonable prices possible. It is the intention that power production and transmission enterprises shall be economically efficient and financially sound. Tariff policies will be regulated through a proposed public utility commission.

30. The provision of adequate facilities for the basic infrastructural services of *transport and communications* is crucial for the development of production and trade. There is clearly need for the closest integration of their programming and policies with those of other sectors.

31. A fundamental policy which the Government intends to pursue in transportation is that of effective co-ordination among the different branches of transport serving the productive sectors of the economy. Analysis will determine the correct role of each type of transport in the expanding economy. Co-ordination policy will

ensure the most efficient utilization of existing and new capacity: tariff policies will assure appropriate competition between alternative modes, and at the same time will permit them to operate on an economically sound and financially viable basis. Policy for highway development will in this plan period particularly stress the creation of a denser network of secondary and feeder roads in the key priority areas of Ethiopia. The stress will be upon appropriate design standards of modest but sufficient cost, and upon the avoidance of premature over-building of primary highways of low priority. Far greater stress will be placed upon road maintenance policy and administration. To save on maintenance costs, more effective policy will be adopted and enforced with regards to the discipline of road transport vehicles, particularly heavy trucks and buses. Air transport policy is designed to serve the growing domestic traffic, including service to outlying but developing areas to which roads cannot penetrate for some years ahead. The Government intends to make the country's two principal ports. Mitsiwa and Asseb, increasingly efficient through modernizing investment, and improved management and operation, through the medium of a Port Authrity.

32. The *Social Sectors*, including education, health, housing and community development, are central in the Government's policy for the implementation of the third plan. Education policy stresses the political and social integrative effects for the nation and for its cultural values. More especially, it will emphasize the need rapidly to spread at least rudimentary education to wider masses of the population, especially in rural areas, and outlying regions, in order to increase basic literacy and economic opportunities. Policy stress on the more immediate economic productivity effects of education. leads to a particular emphasis on scientific, technical and vocational education, at the secondary level. Health policy will continue to extend the facilities for curing disease, by the establishment of more clinics and health centres. But stronger emphasis will be put on

preventive medicine and the improvement of environmental health. The Government is determined to move ahead as rapidly as possible with the policy and programme of malaria. Far more stress will be placed on the economic and social benefits deriving from better nutrition and hygiene, and from mother and child care.

33. Improvement of housing and urban facilities in Ethiopia requires more basic data collection, analytical research, and sound programme elaboration. The Government intends to devote much effort to stimulating the flow of private savings into housing finance organizations, which, in turn, will stimulate the private construction industry to embark on more programmes of medium- and low-cost housing of simple but sufficient design. Incentives, and possibly some form of subsidies, may be required. It is Government policy to limit direct public ownership of housing development to the absolute minimum. Attention will be paid to realistic urban area master-planning, including clear policy concerning preclusive land acquisition, and to the provision of zoned housing areas with the infrastructural facilities required. Central Government support will clearly be necessary to supplement whatever resources the cities and towns themselves are able to provide. In the rural areas, government policy will be to speed up the process of development through community programmes which will assist the provision of health and welfare facilities.

H. Regional Development Policy

34. The Government is aware that in the long run all parts of the Empire must be developed; a beginning must be made to reduce employment and income inequalities in the different regions. The Government recognizes that the national programme itself must be based on a fair distribution of activities and investments, to meet the aspirations of various regions.

35. The fact remains that the existence of large dynamic growth centres like Addis Ababa, and the disparity in respect of natural resources endowment, labour skills, and capacity for entrepreneurship in different parts of the country, necessarily means that the process of growth cannot be equal in all regions. Major stress must and will be placed on programmes and projects, wherever they may be, which will create the largest and most sustained returns for the national economy. The Government, however, will stimulate the process of growth and development in selected regions of the country, and will give priority assistance to those areas showing local initiative. This will take the form of concentrated "package" efforts, both in well-defined rural subsistence farming areas, and in some selected small towns which give promise of becoming important regional growth centres. The Government is already at work in defining selected project areas to which resources can be allocated.

36. The community development programme will receive renewed emphasis during the Third Five Year Plan. The programme will be developed into an integrated total approach to rural transformation. Accordingly, during the Third Five Year Plan, expansion of the new community development centres will be integrated into the programme for regional development of selected areas. At the local level, the community development officer may act as the field administrator who will co-ordinate the work of specialists supplied by the technical ministries.

37. The Government recognizes the importance, in modern development planning and implementation, of enlisting the support of the defence and security establishments. There are diverse ways in which the armed forces can be put at the service of economic and social development. These will in no way detract from, indeed can be made to augment, the efficiency with which the demands of external and internal security are met. It is the Government's

policy at once to initiate effective machinery for co-ordination of all efforts. Co-ordination will take place both at the centre and project levels. In order to reach these objectives, it is established policy that:

(a) During the Third Five Year Plan the Government will lay down a programme of secondary and feeder roads: of air landing strips; or schools or clinics to be built, etc., in which the armed forces will participate:

(b) Local civilian work brigades (peasants, youth, etc.), for civic works projects of a regional or local nature, will be organized.

(c) High and middle-level professionals and technicians in the armed forces forces will be used as teachers of appropriate skills both to armed forces personnel and to local civilian populations. In particular, effort will be made to keep suitabily qualified members of the forces active beyond their normal military retirement age, so as to use their experience to the maximum.

(d) Qualified armed forces services personnel (those with secondary education plus some intensive short-course training) will be used as teachers in literacy programmes, both of enlisted men, and of civilian adults: they will also help in regular primary school teaching especially in remoter rural areas.

A fuller treatment of the scope and content of military civil action in its modern concept is given in Chapter XX on regional aspects of the plan.

38. Regional development of necessity requires an inter-disciplinary approach. Much experimentation will be needed before the most appropriate policies and the most feasible programmes can be chosen. But the Government is losing no time in laying the groundwork for a significan start on such programmes, so important for the contribution they can make both to national and regional economic growth.

Chapter VIII

Organizational and Administrative Implications of the TFYP: General Public Administration

Introduction

1. The success or failure of the national plan will depend more upon the country's administrative ability than upon any other single factor. Adminstrative weaknesses can permeat every corner of the economy; the success of the plan will depend on the structural and organizational capacity to utilize to the full the available resources. The Third Five Year Plan must include adminstrative reform, and must clearly specify the lines of improvement which should be allowed. However consistent the sectoral targets, however desirable the goals, the fulfilment of the plan rests ultimately with those on whom the responsibility for action rests. Individual energy and dedication are not enough; the obstacles can be overcome only by efficient organization. Accordingly, the Government considers it a primary duty to see that its organizational framework is such that the objectives of the plan can be achieved. The Government is thus committed to making certain that the necessary organizational improvments will be introduced and maintained.

The Second Five Year Plan

2. The SFYP proposed many changes in the administrative structure of the country. The reorganization of a number of existing public agencies and the creation of new ones were planned. As with any serious plan, the proposals were to a large extent interdependent; the changes in one sector or agency could only be fully effective if all or most of the other reforms were also carried out. During the

SFYP many changes were introduced, even though the pace of reorganization was perhaps uneven.

3. The SFYP called for the reorganization of the banking system, the redefinition of ministerial responsibilities and government administration, the establishment of the Investment Bank and of the Technical Agency and the introduction of administrative reform in local government. These were all intended to be fundamental changes; and many of them took place during the SFYP. despite some delays. In the field of government, 1958 saw the proclamation of an Order defining ministerial powers and responsibilities, and the creation of the Ministry of Planning and Development. The latter, although coming into being only recently, has brought about an increase in the status of planning. The establishment of planning and programming units in every development ministry or agency, has not been fully realized, to provide that essential base for plan implementation, namely, the full integration of annual planning, by the sectoral ministries, with the annual budget process.

4. In manpower and training, the Central Personnel Agency and Pension Commission have been created, providing a nucleus for effective civil service administration and utilization. The establishment of uniform standards and procedures for effective selection, assignment, grading, and remuneration of public service personnel, remains to be carried out.

5. The Technical Agency, whose creation was first proposed ten years ago, was eventually set up during the SFYP. Although it has undertaken some feasibility studies, its exact role vis-a-vis a number of government departments has still to be clarified. The studies have frequently been unused because of a lack of established follow-up procedures, or of liaison channels with ministries and agencies. This is one reason for the scarcity of implementable projects, a situation which needs urgent attention.

6. In the monetary field, the operations of the former State Bank were split, the new National Bank of Ethiopia becoming a central bank and the Commercial Bank of Ethiopia (although continuing to be state-owned) operating as a normal business bank. This has, in general, been a successful innovation. In development financing, the SFYP called for the creation of an Investment Bank, which was duly formed. Despite a subsequent change of name (to Ethiopian Investment Corporation) and a revised charter, its responsibilities, particularly in relation to the Development Bank of Ethiopia, are deemed to require further definition and precision in the light of experience. Even now both these organizations have overlapping functions and neither has been able to play the significant long-term financing role which was expected of it.

7. In local administration matters, there have been some improvements in provincial adminstration, but they have been very uneven in effect; the general picture is still one of severely limited capacity. An important bill to strengthen local adminstration at the *Awraja* level still awaits ratification by Parliament.

The TFYP - Main Aims

8. The key objectives for adminstrative and organizational reform are based upon the experience of the previous era, and upon the crucial role of a strong and efficient central government system in Ethiopia's future development. The objectives are:

(i) to increase the efficiency of public administration in all its aspects, both in the Central Government and in local administrative authorities;

(ii) to clarify and make effective government responsibilities in economic and social development, including that of encouragement and guidance of the private sector;

(iii) to make more effective use of public funds;

(iv) to achieve better management of government enterprises;

(v) to expand the means for co-ordinating and integrating public activities at all levels;

(vi) to encourage and promote self-help programmes;

(vii) to improve the statistical organization;

(viii) to seek efficient means for integrating the resources and capacities of the national defence and security forces into the development plan process, through programmes of civic action.

9. These objectives will be tackled from a number of different angles and by various means. In many instances, the mere strengthening (with funds, staff and authority) of existing institutions will be effective. In other instances, new machinery or institutions will be required to undertake the allotted tasks. Where new legislation is necessary, it will be enacted with a minimum of delay. It is recognized, however, that alongside the need to improve the administration of the public sector, Government has importnat responsibilities in assisting private enterprise to play the vital development role assigned to it in the TFYP. Although an efficient administration is itself possible the most significant factor in encouraging private sector growth, the provision of selected incentives and stimuli is vital; it is especially necessary to see that these encouragements are efficiently and objectively administrated. Government is aware that the mere existence of incentives is not enough.

10. Where the Government is to invest directly in undertakings. the aim of ensuring efficient management will take priority; it is intended that public participation will be exercised through an appropriately organized financial intermediary.

11. Detailed proposals to support the main aims of the TFYP in the field of general public administration are given below, financial administration being covered in the following chapter.

A. Central Government Administration

(a) Administrative reform

12. The Main emphasis in this field will be initially to implement the rerorms and laws introduced during the SFYP. The strengthening of the established ministries, and institutions, the full utilization of existing manpower and physical capacity, as well as the training of the existing civil service staff, will be stressed. Measures will be adopted during the TFYP to set effective maxima on certain categories of the administrative services throughout.

13. In addition, the Government will review the existing minitries, institutions and organizations, in order to assess the need to re-organize and re-define their functions and resposibilities. In all these efforts the emphasis will be on efficiency, concentration of effort, co-ordination, full utilization of manpower, and budget savings.

14. As a first priority of the TFYP, the Government will establish a high-level Administrative Reform Committee. It will supervise and bear responsibility for the implementation of all approved administrative and organizational changes. The Committee will be appointed by and be directly responsible to the Prime Minister. The Institute of Public Administration, which has an established unit for organization and methods analysis, will serve as the technical secretariat for the Committee. The major tasks with which the Committee will be occupied include:

(i) defining, in ways consistent with the general administrative Order No. 46 of 1958 (on the powers and responsibilities or ministers), the specific functions and organizational structure of each ministry and agency, expressing them in organization charts;

(ii) establishment of an evaluation procedure for measuring the administrative and personnel efficiency of each ministry and agency, and the development of an operational and work-flow manual for use by them:

(iii) review and evaluation, in the light of evolving development needs, of the existing Order, and the recommendation of changes to it.

The detailed structure, functions and terms of reference for the Adminstrative Reform Committee will be studied and elaborated without delay in the office of the Prime Minister.

15. The Institute of Public Administration will be strengthened and re-organized to discharge effectively its secretariat tasks. In addition, it will continue to be responsible for the training of civil servants and for initiating research on administrative methods and techniques.

(b) Planning

16. The planning system will be more solidly established and the planning process streamlined during the TFYP. There are three main requirements, namely: the improvement of national and sectoral planning — including financial planning (see Chapter IX); the improvement of project identification and preparation; and, finally, the strengthening of the statistical system.

Central plan formulation

17. The Ministry of Planning and Development and the planning units in each ministry must, and will, be made more effective. This is primarily a matter of competent staff. In the Ministry of Planning and Development, in addition to increasing the number of qualified officers, and training new planners, certain organizational changes will be made. A small but effective unit for macro-economic analysis will be formed. The sectoral analysis work requires more

competent and experienced Ethiopian staff; and the Regional Planning Unit should be given more responsibility in the continuous planning process. The central role of the ministry in orienting and co-ordinating plans will be stressed, (and, if necessary, supported by executive orders), so that the detailed sectoral plans emanating from the operating ministries and agencies will be more likely to succeed in the national framework.

Project identification and preparation.

18. Planning and programming units in each operating ministry, agency, public body and authority will be strengthened and new ones established where necessary. Each ministry, agency, public body and authority will establish a permanent planning committee to co-ordinate, review and direct planning and development activities in the particular sector or area of its competence. The minister or head of agency, or their deputies, will act as chairman of the committee and the head of the planning and programming unit will serve as its secretary. The Minister of Planning and Development, in consultation with the Development Ministers' Committee (see below), will establish procedures to ensure satisfactory co-ordination and effectivness of the planning machinery.

19. The Technical Agency, formed to help overcome the acknowledged weaknesses in the preparation of relevant, high priority and realistic projects, has been unable to attract significant investment to utilize the studies and proposals it has made. The Government is aware that there is an obvious need to clarify the Technical Agency's exact responsibilities and to strengthen its capabilities. The Government is therefore arranging for a study of the Technical Agency's functions to be made and will ask for recommendations as to its future role. This study is closely linked with the project evaluation machinery of the financial institutions; the responsibility for examining the position of the Technical Agency will therefore be

given to the proposed Financial Intermediaries Re-organization Commission, whose work is described in the following chapter.

Statistical organization and legislation.

20. The Central Statistical Office (CSO) will continue to bear responsibility for the improvement of the statistical system and statistical knowledge of Ethiopia, so indispensable for effective plan formulation and implementation. In order to achieve accuracy, comparability and uniformity, in the major statistical series and for its planned projects, the CSO will press forward its work to establish adequate statistical standards during the first two years of the TFYP. This will include the adoption of a standard classification for economic activities, occupations and skills, administrative areas and the like. More specialized manpower needed by CSO for this work will be supplied, mainly by the expanded training system already instituted at Haile Selassie I University, though this is only for middle and junior level statistical personnel. Senior professionals will continue to be trained mainly abroad. The CSO will also he helped to meet its increasing work-load by the replacement of existing with more modern equipment. Continuation of the nearly complete decentralization that now exists for data processing would mean serious under-utilization of the capacity of modern electronic computers. The CSO will therefore make a study of existing workloads, and data processing equipment throughout the government, with a view to establishing a central data processing unit to serve the needs of the entire government. The CSO will be strengthened with appropriate staff and annual budgets, not only in Addis Ababa but also in some regional branches which will be set up. The CSO's primary responsibility for carrying out statistical projects, and for co-ordinating the nation's statistical activities will, however, be without prejudice to the accompanying need to strengthen the statistical units in ministries and agencies, so that they can better provide the information required for their respective

sectors. Finally, the realization of these goals for a better organized and stronger statistical system requires legislation authorizing the CSO to regulate the collection and tabulation of statistics, and defining the obligations and rights of respondents, public or private. in giving information. Draft legislation, already submitted for the consideration of the Government, will be enacted during the first year of the plan.

(c) Development policy

21. To advise the Government on questions of development policy and to review the integrated medium term and annual development plans and programmes of the nation, a Development Committee of the Council of Ministers, under the chairmanship of the Minister of Planning and Development, was established in 1959 To consider appropriate submissions from the Ministry of Planning and Development, the Committee will institute regular meetings rather than operating on the present ad hoc basis.

(d) Manpower, employment and training

22. The implementation of manpower policy will continue to be the responsibility of the Ministry of National Community Development, whose Department of Labour will be expanded. A wider network of provincial offices will be provided so that job placement can be more effective. A Manpower Commission will also be established during the early part of the plan.

23. The Centre for Ethiopian Management, a recently established jount venture between the Government and ILO, will be given every support to enable it to train Ethiopians for management positions. To take advantage of the data from the manpower survey, a Vocational Training and Development Centre will be established to increase the output of vital middle-level skilled employees.

(e) Civic action programmes

24. Steps will at once be taken to establish organized procedures for effective collaboration, in executing the TFYP, between the Ministry of Defence, the Ministry of Planning and Development, and the other key ministries concerned with economic and social development. Althernative approaches, as developed elsewhere in the world, will be examined and evaluated in this process.

(f) Awraja local self-adminstration

25. One of the major re-organizational questions to be considered during the Third Five Year Plan is that of the administrative services, particularly in the Ministry of Interior. The maintenance of law and order is an essential feature of any development effort. In view of this, the entire organization of the ministry, starting from the head office in Addis Ababa down to the smallest local administrative unit, will be re-examined and its effectiveness assessed in the light of development requirements. During the Third Five Year Plan attempts will be made to decentralize head office responsibilities down to governorate-general level. The *Awraja* Self-Administration Order will be fully instituted. To ensure an early implementation of this proposal, the Administrative Reform Committee will, as a first priority, review and make recommendations as to the most appropriate orgainzation of these services, taking into account both short and long-run development needs.

26. Such re-organization efforts are aimed at making the head office responsible for high level policy, research, and training, directed by a small competent and experienced staff. The governorate-general's office will be responsible for all the executive and administrative responsibilities of the ministry, including intersectoral development programme co-ordination. The *awraja* self-administration programme in itself is an important institution for the integrated regional development programme, which will be

initiated primarily on the basis of such local self-reliance. The awraja administration will play a key role in the planning and implementation of integrated rural development programmes.

B. Sectoral Administration and Organization

(a) Agriculture.

27. Possibly more than in any other sector, the institutional and administrative structure for agricultural development urgently needs drastic overhaul. Many different ministries and agencies have some agricultural interests; there is little co-ordination and much overlapping. Nevertheless, the main burden must continue to be borne by the Ministry of Agriculture; and the Government proposes to institute an early and determined programme to strengthen that ministry. Both administrative and technical staff will be increased in number and quality; as this is being implemented, a number of functions vital to agricultural development will be transferred from other organizations to the Ministry of Agriculture. Within the ministry, first attention will be devoted to the early establishment of an effective planning and programming unit, and to the setting up of an organized programme of relevant research and data gathering. These innovations will receive the full and immediate support of the Government. Additionally, the administrative and technical structure of provincial agricultural offices will be re-organized to enable the staff to assume greater responsibility for their areas. The most important of the specific institutional measures in the many branches of agriculture are as follows:

(i) the establishment of a Co-ordinating Committee for Agriculture, chaired by the Minister of Agriculture or his representative. Membership will include all ministers or heads of agencies (or their representatives) dealing with agricultural and related activities. The Programming and Planning Unit of the Ministry of Agriculture will act as technical secretariat to the Committee For the Committee's main tasks see Chapter X, paragraph 80 (i);

(ii) the Ministry of Agriculture will ultimately assume full responsibility for general supervision of government farms. With this in mind the relevant department in the ministry will be strengthened to handle all aspects of modern farm development;

(iii) to initiate and co-ordinate policy at the top, and to lay down guide-lines for the course of co-operative development in the future, it is proposed to set up a National Co-operative Board under the chairmanship of the Minister of National Community Development and Social Affairs. It will be composed of representatives of all the ministries and government agencies, concerned financial institutions, and co-operative societies.The Ministry of National Community Development and Social Affairs will provide secretarial service to the Board;

(iv) the Forestry Development Agency of the Ministry of Agriculture will be responsible for protection and exploitation of state forests.A similar agency for fisheries will be considered.

28. Other organizational proposals include the expansion of fishery and veterinary services, the strengthening of commodity boards, and the rationalization of agricultural research and statistical bodies. Legislative proposals to accomplish these changes and particularly to give effect to land reform policies will be introduced to parliament at an early stage. Proposals for an agricultural credit institution are set out in Chapter IX for financial intermediaries, and in Chapter XVI for technical training. Despite these detailed

activity programmes, the Government recognizes that the ambitious agricultural growth envisaged for the TFYP will make little progress unless the Ministry of Agriculture itself is strong, administratively efficient, and fully capable of leading and co-ordinating all the other organizations in the sector. The Government intends to provide the Ministry of Agriculture with the legislative, executive, and financial support to enable it to exercise its functions effectively. Administrative re-organization of the agricultural sector in fact will be the first task of the Administrative Reform Committee.

(b) Industry

29. Organizational changes will be essential to ensure that the objectives of the TFYP in manufacturing are attained. In the Ministry of Commerce and Industry, departmental strengthening will be undertaken for the promotion of a larger range of industries. An Investment Promotion Centre will be established in the Ministry of Commerce and Industry to assist private industrial growth; and an Institute for Standards and Quality Control will come into being to improve the quality of local products. In addition to the services necessary for project identification described elsewhere, the Government will take steps to overcome the present lack, of knowledge and experience, which is an obstacle to private Ethiopian participation in productive sectors. Expansion of technical and management assistance services, particularly for medium and small-scale enterprises, will be put in hand. These services can seldom be satisfactorily provided by ministries; the new Centre for Ethiopian Management should provide the model for the widening of these facilities during the TFYP.

(c) Domestic trade

30. Among the organizational measures required to attain the in-

ternal trade objectives, first place must go to the strengthening of the Internal Trade Division of the Ministry of Commerce and Industry, as also to the Weights and Measures Bureau. The ministry will expand its offices and field staff in the provinces. They will assist in the systematic collection and dissemination of information on marketing quantities and prices of the main commodities flowing in domestic commerce, in collaboration especially with the Ministry of Agriculture and the CSO. Steps will also be taken to set up a permanent trade exhibition site in a suitable location in Addis Ababa. It is intended early in the plan period to issue a Domestic Trade Proclamation under which all traders or trading firms must register and obtain proper licenses. Consideration will also be given, and studies conducted, towards the end of issuing an Agricultural Product Marketing Proclamation to provide for an effective degree of control over the orderly marketing, quality and grading and pricing of staple farm products, in the interests of producers, consumers and exporters. The proclamation will also provide for the obligatory sale, in the event of emergencies, of existing stocks held by merchants to properly designated government agencies.

(d) External commerce

31. Realization of the external trade goals and particularly the export targets, set forth in Chapter IV, will require new and strengthened organization for the conduct and promotion of foreign trade. For one thing, the commodity and market research and analysis work of the Ministry of Commerce and Industry, Foreign Trade Division, will be expanded, both to develop better export market information and to develop means for rationalizing imports on an economic basis and reducing them wherever possible. Thought is being given to the placing of more and better qualified commercial attaches, or perhaps even small resident trade missions in a few of Ethiopia's most important trading partners, especially those potentially strategic for exports. To focus and intensify trade ex-

pansion in both traditional and new markets, careful study will be made of the most appropriate new machinery to be set up. This might take the form of an Ethiopian External Trade Promotion Organization, combining the best efforts and fund contributions both from the Government and private business bodies. The possible establishment of a public Foreign Trade Corporation has been discussed for some time by the Government. It will now be studied further in the light especially of the functions of existing statutory bodies, such as the National Coffee Board, the Livestock and Meat Board, and the Grain Corporation. The Ministry of Commerce and Industry will submit to the Government a feasibility study of the proposed corporation. Based on the outcome of this study, the Government will establish the foreign trade corporation not later than 1962.

(e) Natural resources

32. In the development and planning of water resources, general river basin surveys, feasibility studies, climatological and hydrological data collection, etc., a large number of government ministries and agencies are presently responsible. In order to co-ordinate and integrate activities in this field and to advise the Government on major policy issues of water resources development, a Water Resources Council will be established. The existing Water Resources Department in the Ministry of Public Works will be reorganized and will act as the technical secretariat of the Council. A Soil and Water Conservation Division will be formed in the Ministry of Agriculture to carry out programmes of essential control, particularly to arrest erosion.

33. In the mining sector, both legislative and administrative changes will be carried out. A new Mining Code will be enacted early in the

plan period. The Ministry of Mines will be directed to devote its main efforts towards the encouragement of mineral exploitation, and the supervision of the Mining Code. A fully equipped Geological Survey Department, recently established, will be given the necessary staff and support, to overcome rapidly the present scarcity of geological information on the nation's mineral wealth. A new, autonomous corporation will be created, early in the plan period, to take over from the Ministry of Mines the management of gold operations at Adola.

34. The administrative status of tourism and related activities is now being evaluated and consultants are engaged in formulating detailed recommendations both as to aims and implementation measures in the tourist sector. Similar attention is being paid to wildlife activities.

(f) Transport and Communications

35. A new Transport and Communications Co-ordinating Committee will be created within the Ministry of Communications. On the Committee, the IHA and the Ministry of Planning and Development will be represented. The Committee will be charged with establishing criteria for a national transport policy, realizing effective integration of investments and development programmes of the different modes of transport, and keeping under review the growing needs for improved technology, management and operating methods in transport as a basic service to the entire economy.

(g) Social sectors

36. Extensive administrative reform in education is vital to the achievement of the TFYP goals. The re-organization of the Ministry of Education itself, begun in 1959, will be completed and emphasis shifted to the building up of provincial education offices. A new Ethiopian Teaching Service is to be set up, separated from the normal civil service, to help retain teachers by offering more attractive careers. A National Advisory Council for Technical and

Vocational Education is already being formed to integrate the activities of many government and private efforts in this field now scattered throughout many organizations. In a similar attempt to overcome the multi-institutional problem in the artistic and cultural field, a National Council for Arts and Culture will be created to set and co-ordinate policies and activities.

37. Decentralization is the critical need in public health. The structure of the Ministry of Public Health will be overhauled to provide separate but integrated responsibilities (at both headquarters and provincial levels) for technical and administrative matters. New legislation for public health is also vital and laws will be enacted early in the plan period not only to fill gaps in existing regulations but to provide more authority for enforcement of vital measures.

38. In the field of social welfare, the Ministry of Community Development will be given the requisite legislative authority to regulate and supervise a range of activities dealing with vagrants, orphans, delinquency, registration of charities, etc. To administer these laws, the Department of Social Welfare, within the ministry, will be expanded and provided with qualified staff.

(h) Regional planning

39. Many of the sectoral administrative changes proposed will have their impact on regional development; many of them are, in fact, specially designed for this purpose. Effective local administration is the prerequisite for proper administration of regional projects: the Government's intentions in this regard are clear. Nevertheless, certain measures are necessary, in the wider regional context, to ensure that reasonably balanced and effective growth is achieved.

(i) The Ministry of Planning and Development, which has the responsibility for ensuring that regional development coincides with national objectives, will expand and strengthen, especially in terms of staff, its Regional Section. This ministry will also initiate an intensive training programme for regional development administrators, and the Ministry of Interior will be charged with establishing a systematic training scheme for *awrâja* governors, and senior rural extension workers.

(ii) In all sectors the provincial and local field services need to be strengthened, with increasing proportions of qualified professional and technical personnel living and working in the outlying regions of the country. Only in this way can regional development programmes be effective. This will require an adequate incentive system and proper professional guidance and advice in programme development and planning. Redefinition of responsibilities is needed between each central ministry or agency in Addis Ababa and its local field services, with assurance of more effective support from the centre. The Regional Section of the Ministry of Planning and Development will make early recommendations for the administrative and organizational innovations required to achieve these objectives.

(iii) It is evident that no set pattern of regional development administration can be devised to deal with the entire range of varied regional activities. For certain specific projects; institutions exist (although almost all will require strengthening). The pattern of the Awash Valley Authority, for example, will be followed, if the physical and economic circumstances in another area are appropriate for this type of concentrated grouping of resources and responsibilities.

(iv) In the administration of package programmes (see Chapter X), project officers, responsible to the relevant ministry will be appointed - agricultural schemes are frequently appropriate for this type of administration. For smaller localized projects (the "town growth" approach), the Ministry of Planning and Development will devise and co-ordinate the most appropriate administrative requirements in each case.

(v) To assist the programmes of local initiative, the existing Community Development Board will be strengthened to act as an executive board with representatives of all appropriate ministries (e.g. Agriculture, Community Development, Interior, Planning and Development, etc.) to supervise, administer, finance and staff self-help schemes for the regions.

(vi) In the framework of national policy and organization, measures will be taken to incorporate units of the local armed forces into regional or sub-regional development committees and activities, wherever deemed relevant and useful. Specific organizational and operational procedures will be worked out between relevant national Ministries.

Chapter IX

Organizational and Administrative Implications of the TFYP: Financial Administration and the Regulation of Public Enterprises

1. The previous chapter described the importance of public administrative capacity in general, outlined some experiences of the SFYP period, and set out various proposals for measures in the TFYP. This chapter now concentrates on the main aspects of administration of finance and monetary policy. Six principal activities are dealt with: general monetary administration; budgeting; financial aspects of a pension fund; the organization of external resources; the development finance intermediary institutions; and, finally, public enterprises.

A. General Monetary Administration

2. Although the main recommendations of the SFYP relating to the banking system were implemented, and the institutional proposals generally adopted, it is still necessary to review their effectiveness for two reasons. Firstly, the actual performance of the new system can now be given at least a preliminary judgement. Secondly, and much more important, the rate of investment projected for the next five years is to rise very steeply; it is therefore necessary to examine whether the existing monetary laws and institutions can handle the much greater volume of work which the third plan calls for.

3. The core of the banking system is the Banking Proclamation of 1956. The National Bank of Ethiopia and the commercial banks are bound by the terms of this legislation. A basic feature is the

power of the National Bank to balance the supply of money in circulation in such a way as to ensure its sufficiency for development without permitting inflation. There is now evidence that the legal limits set by the Proclamation may require reconsideration, particularly on the question of the general recourse by the Government to the National Bank, and on the ability of the commercial banks to rediscount advances to the private sector.

4. To examine this and related matters the Government, with the assistance of the Governor of the National Bank, will appoint a committee, which will make such recommendations as may be necessary, bearing in mind that the third plan counts very heavily on a large flow of domestic investment funds to finance the sectoral programmes. It is intended that the committee, composed of members of the Ministries of Finance, Planning and Development and, probably, Commerce and Industry, as well as the NBE, will study for what purposes an expansion of credit is required, and in what amounts, year by year, so that a proportioned and controlled programme for increasing money supply can be worked out and put into effect.

5. Private savings must be mobilized to the greatest possible extent if the investment needs of the TFYP are to be met. The commercial banks currently provide a limited range of savings bank services, but these can and should be greatly augmented. The development of a capital stock market, post office savings, premium bonds, etc., are all means which should be considered. The above-mentioned committee studying banking and credit will also be asked as a matter of priority to suggest appropriate ways of encouraging savings, so that additional funds may become available in time to augment the other resources available during the plan.

6. The policies relating to import tariffs are crucial both because of the very high proportaion of total revenue obtained from such duties, and also because of the effect of tariff protection on the

encouragement of industry. An inter-agency tariff committee is already reviewing the entire schedule of import tariffs, not only to bring the Ethiopian system into line with the modern and widely adopted "Brussels system" but also to remove discrimination, discrepancies, anomalies, etc. The committee is viewing its task as as one of ensuring the proper levels of protection for infant industry and for developing agriculture, and also of increasing public revenues from those parts of the tariff schedule where protection is not at issue. When this committee has completed its task, the Government will establish a permanent tariff commission, responsible for setting tariff rates and for keeping the system under constant review.

B. Budgeting

7. The strengthening of the process of annual programming and budget preparation will depend in large part on the efficiency of the programming units in each of the operating ministries and agencies. For each agency and sector, a budget review committee, consisting of a representative of that claimant agency, of the Ministry of Planning and Development and of the Ministry of Finance, will consider and elaborate the budget request. This will be done on an integrated basis, emphasizing both capital and recurrent expenditures together in the development budget. The budget will then be submitted to the Ministry of Finance, where it will be properly combined with the budgets of all other ministries and agencies. The total consolidated budget will then be submitted to the Council of Ministers. It is necessary to formalize promptly these co-ordination channels and mechanisms through specific instructions from the Council of Ministers. A partial procedure along these lines has already been initiated with some success in the formulation of the 1961 budget; the Government proposes to build on the experience ot that exercise to strengthen the system and make it even more effective.

C. New Institutions for Internal Development Resources

8. The implementation of the Third Five Year Plan depends crucially on the success of government policy and measures to moblize the necessary additional resources for financing the development programme. In this connection, it is very important to assure adequate numbers, geographic coverage and strength of savings and similar institutions in the country. The Government will make special effort to institute measures and policies to strengthen the existing institutions, both traditional and modern, and to encourage the establishment of new ones. In addition to the existing savings institutions, a new post office savings scheme will be introduced early in the plan period. The difficulties which prevented the implementation of article — of the Public Servants' Pension Decree of 1961, namely the establishment of the Public Servants' Pension Fund, will be reviewed, taking into consideration recent government policy as to the status of public servants. Simultaneously, the policy of extending the public servants' pension scheme to the private sector with a view to mobilizing additional funds for development financing will be examined. The Government will initiate the necessary study and will take appropriate action early in the plan period.

9. In insurance, the Government will review the activities of insurance companies operating in Ethiopia, and a general insurance law will be issued in 1961. Following this, the Government will consider the frasibility of establishing a public re-insurance company which would be responsible for all re-insurance in Ethiopia. Ethiopia.

10. The channelling of savings to finance priority development programmes has in the past been very difficult. In the Third Five Year Plan the Government will make every effort to direct savings to priority projects both in the public and private sectors. To ensure this, the Government will take measures to influence the use of savings from the recognized savings institutions.

D. The Administration of External Resources

11. A large proportion of the total investment programme is is expected to be financed from external sources, both private and public. In the past, many ministries and agencies have dealt with their own foreign assistance. To comply with the responsibilities imposed on the Ministry of Planning and Development in relating external aid to development programmes, and on the Ministry of Finance in the actual negotiation and signing of all external loans and credits, it is important to strengthen the present arrangements for co-ordinating and administering external assistance effectively. The main requirement is that all assistance, and specific amounts sought, from external aid, should be in conformity with the Government's approved development programmes and projects their terms must be consonant with the nation's financial policies. If these conditions are all met, then loans, credits, or grants can be energetically sought, and negotiated by the Ministry of Finance. Moreover, it is essential to review the recent and current use being made of available foreign credit balances, and to elaborate detailed, realistic budgets for new external commitments.

12. The Department of Technical and Financial Resources in the Ministry of Planning and Development will be strengthened and its procedures, both internal and in relation especially to the to the Ministry of Finance, will be reorganized. In particular, the Department will maintain up-to-date records of existing external commitments and undisbursed balances, the status of proposed new commitments; it will also project further new commitments and disbursements levels for each year, and for the entire period, of the development plan. Loans, credits and technical assistance grants will all be included. The resulting projected annual foreign exchange budgets will be integrated with the annual fiscal budgets: this will require close collaboration with the Ministry of Finance.

E. Development Finance Companies

(a) General

13. In considering the policies and functions of the development financial institutions, the most serious shortcomings to be overcome during the TFYP lie in the present lack of clear lines of function and responsibility. A number of government owned organizations exist, with similar responsibilities; it is essential to distinguish clearly between their respective operational activities, if duplication of resources is to be avoided.

14. The Government has become a substantial investor in all main sectors of the economy, as is made clear in the Statistical Appendix. The diversity of interests within the portfolio of any one institution is also there made apparent. To promote greater efficiency in the use of resources two main lines of policy are proposed for the TFYP.

15. Firstly, the Government, perhaps best through its high-level Financial Intermediaries Reorganization Commission, will clearly indicate, maintain under constant review, and advise the Council of Ministers as to those sectors of the economy in which government financial participation is most appropriate; and in what specific types of activity, as well as in what amounts and proportions. Conversely, fields of activity likely to enjoy only low priority for public investment will also be dfined. Further, the area of activities of the various financial intermediary institutions will be given more precise definition, along the lines proposed below, so that where government participation is deemed to be suitable and desirable, the name of the responsible intermediary organization will be evident.

(b) Specific Policy

16. The policy of selected investment in suitable enterprises by the

Government will continue: except in special cases investments will be made through a financial intermediary.

17. The Government may invest directly in basic infrastructure or in enterprises of general importance for the social and economic growth of the nation. Such enterprises or infrastructural facilities will not become the sole responsibility of the financial intermediaries.

18. The Government may feel compelled to put investments into projects which, at least initially, may not offer the level of financial return which would meet the normal criteria and requirements of a financial intermediary, but which are nevertheless considered important to the country.

19. Investment in such projects will be routed by the Government through the appropriate financial intermediary. The latter will undertake to develop and run the projects on behalf of the Government on terms and conditions to be settled between the financial intermediary and the Government in each individual case. The accounts for all such projects will be submitted to the Government through the Ministry of Finance and the executive ministry most directly concerned.

20. All proposals falling within the financial intermediaries' scope will first be directed to them, and the Government will not generally undertake direct investments in such projects. Only when the board of the particular intermediary considers a project inappropriate for its' investment will the Government consider its own direct investment in conformity with paragraphs 18 and 19 above.

21. The financial intermediaries, as major public instruments for ensuring the success of the Third Five Year Development Plan, will work within the following frame of reference:

(i) They will ensure proper mangement of the concerns in which they have invested.

(ii) They will build up, with the active encouragement of the Government, their own sources of funds. In particular they will make every effort to help develop an organized capital market in the country, thus reducing their own dependence upon the government budget. They will also take active steps, in consulation with the Ministry of Finance, to obtain foreign funds, not only in the form of credits but also as permanent capital contributions, particularly from multi-lateral sources.

(iii) They will provide the initial resources for the new establishment, or an expansion project of an enterprise. Investments will be withdrawn as soon as the enterprise is well established and the funds so obtained will then be applied to further new development projects. In addition to direct equity participation, loans will also be used so that the regular repayments can be counted upon for further reinvestment.

(iv) They will encourage the use of various types of capital instruments, such as cumulative redeemable preference shares. These may prove to be more effective in revolving their funds than ordinary equity shares.

(v) They will take up shares only when other investors cannot be found, and even then only to ensure that capital requirements can be met. They should stand ready to underwrite new issues whenever possible.

22. To ensure proper management of the companies in which they participate (para. 21 (i) above), the financial intermediaries will first of all be represented on each company board, where appropriate. They will also develop and expand management services,

in such fields as accounting, finance, sales promotion, personnel, recruitment and training, etc., which will be available to new, inexperienced, firms. Where such assistance has clearly defined value to the company, and thereby to the intermediary's interests, it should be formalized and, in normal circumstances, charged for.

23. The activities of the existing financial institutions will be redefined so as to eliminate duplication in their investment functions and so that they specialize in different economic fields. Where necessary, their respective charters will be amended.

24. The sources of funds available to the financial institutions will be substantially expanded. It has already been noted that the persent monetary policy of the National Bank and the legal limitations which control the amount of financing by the commercial banks are to be reviewed, to determine whether the commercial banks can safely be permitted to make development funds available to the financial intermediaries, through appropriate types of debt or equity instruments. It is also expected that ways and means will be devised to channel surplus or reserve funds of insurance companies, pension funds and the like into the development finance intermediaries.

25. Much closer liaison will be established among the government-owned financial institutions. As a first step the Minister of Planning and Development will inaugurate permanent machinery for dealing with projects where joint financing may be appropriate: and he will encourage *ad hoc* consulatation between managements in other cases.

(c) Organizational aspects

26. The need to revise the present operations and activities of the development financial institutions is an urgent task of the Government. Both organizational set-up and management structure will be

streamlined. The development financial institutions' responsibilities will be clearly defined and their future spheres of activity identified.

27. The development financial institutions, as a link between the public and the private sector, play an important role both in the mobilization and direction of private financial resources. In order to ensure the effectiveness and efficiency of these institutions in carrying out their important task the functions of the existing development financial institutions, and related government bodies, are to be re-defined as follows:

28. *Ministry of Finance*. The Ministry of Finance will transfer to the relevant intermediary all shareholdings in enterprises other than those categorized as being in "basic enterprises" as defined above in the policy statement. For such "basic enterprises", the responsibility for supervision will remain with the sectoral ministry or agency, and the Ministry of Finance will continue to act as shareholder for the Government.

29. A detailed review of the existing shareholdings of the Ministry of Finance will be undertaken to determine which projects should be retained and which transferred. Details of how this review will be undertaken are given below.

30. *Development Bank of Ethiopia*. The DBE will in future be responsible for the mobilization and granting of development financing — in equity, loan, or technical assistance form — for agriculture, small-scale industry, handicrafts and cottage industry of whatever nature. The DBE will be responsible for government investment in such enterprises, whether corporate or unincorpo rated, and whether partly or wholly owned by the Government.

31. All past government investments, in the form of credits or loans negotiated or committed in the sectors of agriculture, small-scale industry and handicrafts and cottage industry presently held by

other institutions, ministries and agencies will be transferred to the Development Bank of Ethiopia, unless otherwise provided by law.

32. *Ethiopian Investment Corporation*. The EIC will in future be responsible for the mobilization and granting of development financing — in equity, loan or technical assistance form — in the fields of industry, mining, transport, catering and tourism as well as in the building and construction sector. The EIC will be responsible for all government investments in the above enterprises, whether corporate or unincorporated, and whether partly or wholly owned by the Government.

33. All past government commitments or past government loans negotiated or granted in the sectors of industry, mining, transport, catering and tourism and building and construction, presently held by other government ministries, institutions or agencies will be transferred to the EIC, unless otherwise provided by law.

34. *National Resources Development Share Company*. The NRDC will continue to make direct investment in certain types of enterprises and to provide management as hitherto. The categories that it will deal with include tourist resorts, recreation facilities, real estate and housing enterprises (as profitable business ventures). The NRDC will be responsible directly (or indirectly with the help of the financial intermediaries) for all government activities in these fields.

35. All government investments in profitable business undertakings in the fields of catering and tourism, resorts, recreation facilities, real estate and housing enterprises presently held by other government institutions, ministries or agencies will be transferred to the NRDC, unless otherwise provided by law.

36. *Commercial Bank of Ethiopia*. The CBE will not in future provide development finance facilities on its own or on behalf of the Govern-

ment except through the financial intermediaries. Existing long-term share investments of the CBE will be gradually disposed of and the funds so obtained used for providing further financial support to the financial intermediaries. In addition, the CBE will take every opportunity to assist the financial institutions in increasing their financial resources. Finally the CBE will be expected to provide working capital for enterprises in all sectors, and will continue to expand its facilities throughout Ethiopia.

37. *Other Ministries and Agencies.* Certain other ministries and agencies presently hold investments in various undertakings. These will be transferred to the appropriate financial institution, except where for special considerations these are to be maintained as government-owned and managed projects. The responsibility for managing efficiently such projects will then devolve on the sponsoring ministry or agency.

38. *Management.* In order that the financial institutions may be able to carry out their newly defined functions as recommended, the present administrative structure of the EIC, the DBE, and the NRDC will be reorganized and strengthened.

39. *Re-organization Commission.* The Government recognizes that the proposed re-organization will require careful supervision and co-ordination of a number of different actions. It is, therefore, intended that a "Financial Intermediaries Reorganization Commission" be appointed as soon as possible to advise the Government on the following matters:

(i) the composition of the present shareholdings of the Ministry of Finance, in order to determine those enterprises which should be transferred to financial intermediary institutions, and those which should be retained;

(ii) the definitions of agriculture and industry (where there exists any doubt), as they should be applied both to the transfer of existing projects from one institution to another and to the allocation of future projects;

(iii) the definition of "small-scale enterprise" as it is to be applied to the functions of the EIC and the DBE.

(iv) the arrangements for transfer of existing investments between one institution and another and particularly for the evaluation of assets to be transferred;

(v) the procedure to be adopted for obtaining the approval of third parties, where necessary, to the proposals, (particularly IBRD and AID in regard to their loans to DBE and EIC);

(vi) the future role of the Technical Agency (see Chapter VIII);

(vii) whether, subsequent to anticipated re-organization, there will arise the need for a central public body which will oversee governmental investment and, if so, what form such a body should take.

40. In regard to terms of reference for the Reorganization Commission, the Government is aware of the problems which will arise in negotiating transfers of investments. The importance of flexibility in this regard will be stressed, since there may be instances where efficiency and success would be jeopardized by a change of responsibility. The Reorganization Commission will attempt the best possible balance between functional delineation for the intermediaries, and the national interest, in ensuring the success of development finance institutions.

F. (a) Public Utilities and Enterprises

41. The Government is convinced of the need to ensure efficient

operation of all public enterprises. There is above all a need to regulate the activities of public utilities and wholly-owned enterprises, essential for the public welfare and for economic development. These include especially electric power, telecommunications, national transport enterprises, key industrial establishments, and the like.

42. Successful public enterprises not only promote development but also ensure public confidence in government undertakings. This is necessary for future public participation in the development process of the nation. The Government, recognizing the need for proper authority and machinery to promote effeicient public enterprises, will:

(i) regulate by law the responsibilities, functions and operations of public enterprises;

(ii) strengthen the operational activities of the enterprises and, where necessary, provide technical and management assistance.

43. For carrying out these tasks the Government will create a Public Utility Commission, of not more than five members, selected for their breadth of experience, public mindedness, and reputation. Their tasks will be to:

(i) regulate and enforce the operations of the enterprises as provided by law, but without intervening in their managerial autonomy;

(ii) review and give guidance and advice on broad policies of the enterprises;

(iii) review and regulate specifically the price and tariff policies to assure that they are in line with the development objectives of the nation and in the public interest generally;

(iv) ensure that the investment programmes and projects of the enterprises conform with the official development plan.

44. The Commisston will have the necessary technical staff to discharge the functions enumerated.

(b) Municipalities and Urban Development

45. The main and most urgent requirement for administrative improvement in municipal and urban infrastructural affairs is the need for simplification. Many ministries as well as other public and private organizations share responsibility for town planning, housing, welfare, land, roads, water, and numerous other parts of urban development. The need for a national public agency to co-ordinate and control all these urban undertakings is recognized, particularly for non-chartered municipalities. While the most advantageous type of organization has still to be decided, the Government intends to continue its efforts, with the co-operation of the municipal authorities, to establish an appropriate and effective central public body as soon as possible. This intention will not, however, be permitted to delay the early enactment of modern building and housing codes, and the issuance of building, safety and sanitary regulations.

d) [illegible] objectives of the [illegible] and [illegible] interest [illegible]

e) [illegible] programme [illegible] with the [illegible] plan

43. The Commission will have the necessary facilities to [illegible] the functions enumerated above.

(b) Municipalities and Urban Development

44. The main and most urgent requirement for satisfactory organization of municipal and urban activity [illegible] metropolitan areas. Many authorities as well as [illegible] public and private organizations share responsibility for [illegible] planning, [illegible] water, roads, [illegible] and [illegible] other parts of urban development. The need for [illegible] public agency [illegible] policies and control all these urban activities is [illegible] particularly [illegible] metropolitan communities. While the [illegible] Government [illegible] its [illegible] efforts, [illegible] municipal [illegible] to establish [illegible] as soon as possible. The [illegible] will [illegible] be [illegible] to carry the entire [illegible] of municipal [illegible] and [illegible] necessary [illegible].

PART II

Sectoral Programmes

Chapter X

Agriculture, Forestry and Fishing

1. Agriculture, from any point of view, is dominant in Ethiopian life. Even at the end of the plan period, it will remain by far the largest sector of activity in terms of the number of people gainfully occupied, in its total contribution to the GDP, in the absolute size of increase in value of production during the plan and, finally, by virtue of its dominance of Ethiopia's exports.

2. The success of the plan, and of Ethiopia's sustained development, depends above all on the achievement of steady progress in agricultural output and productive efficiency. Ethiopia needs to produce steadily expanding supplies of food-stuffs to meet the growing money demand for food from its rapidly increasing urban population. The present nutritional levels of much of the population must be improved. Ethiopia needs also to expand agricultural exports in order to pay for the growing volume of imports demanded by a growing economy. Again, as industrialization progresses, so will the demand increase for essential raw materials, many of them imported.

3. Conversely, an agricultural sector which is not growing fast can only perpetuate the low living standards of the majority of the population, because the low productivity and incomes of the farmers provide neither an attractive internal market nor allow any significant savings to be made.

4. For these reasons, agriculture must be and is given very high priority in the TFYP. But it must be remembered that, however great the effort and resources devoted to agriculture, and however successful the attempts to overcome the difficulties, it is the rate of

development in the non-agricultural sectors which will provide the incentive to increased agricultural production. Thus, while some growth of agricultural output can be achieved under present conditions—extra exports can be stimulated, for example—a lasting improvement will depend upon a structural transformation of the entire economy; the expansion of non-agricultural activities will generate employment, and will result in monetary demand for agricultural products; but if this demand is not accompanied by increased productivity in agriculture, the price of food will inevitably increase. Such a development would hamper the expansion of the non-agricultural activities, owing to the failure to generate the necessary additional demand, within the agricultural sector, for non-agricultural products. The need for a structural transformation does not exclude the possibility of taking measures that will lead to greater agricultural output in the short run. But in the long-term, the fundamental forces which will propel the subsistence farmer, away from his traditional ways of life, will have to come from the fact that while the other sectors provide him with attractive possible alternatives at the same time the development within the agricultural sector should assure that this does not lead to an uncontrolled exodus.

Land Use In Ethiopia

	Million hectares	per cent
Agricultural land	84.1	68.8
of which:		
Cultivated land	12.9	10.6
Pasture land	66.0	54.0
Swamps	5.2	4.2
Forests	8.8	7.2
Barren or built-up	17.2	14.1
Water and water courses	12.1	9.9
Total area	122.2	100.0

5. The foundation of agriculture is naturally the land itself. But the mere size of land area considered useful for agricultural and related pursuits is not so significant as is the amount of land actually available for economic use through cultivation of crops or livestock production. An important factor also is the potential productivity or capability of the land. The above table briefly outlines the general picture, so far as it is known, of the distribution of Ethiopia's land surface.

6. It must be noted, however, that so general a picture does not reveal a number of important aspects. The proportion of cultivated land, for example, gives no indication of the great variations in the efficiency of its utilization. Furthermore, the table can give no impression of the distribution of the land, either individually or geographically. Thus the apparent quantities of available land must be considered in relation to population density, since there are large areas where pressure on land is acute, while in other regions the good land is frequently inaccessible and not productive, because of lack of inhabitants.

7. Approximately 13 million hectares, or 11% of the nation's land area, are properly defined as cultivated land. Although not true of the potential settlement areas, it is a fact that a significant extension of much of this area is becoming more difficult and increasingly unrewarding in social and economic results. In recent years only 9 to 9½ million hectares have actually been planted and harvested; these are the areas now actually sustaining Ethiopian life. There is thus a large amount of arable land still available for crop planting, and the supply of land itself is not a current, or foreseeable, constraint on increased production. In some outlying areas, notably the north-west lowlands near the Sudan border, additional land has recently been brought into cultivation, and more is planned. The same is potentially true for irrigable lands in the Awash valley,

where the higher investment costs appear to be more than offset by much greater productivity.

8. An increasingly serious threat is the steady loss—particularly in certain regions—of fertile land through soil erosion. There are many causes of this: deforestation, lack of crop cover, absence of water run-off control, over-grazing and, above all. primitive farming practices, contribute to this loss. The need for definite policies (based on sound research), and for action programmes, to arrest this deterioration is urgent; the utmost care must be exercised to see that, when new lands are cultivated, the lessons of bad land management in the past are not ignored. The south-west highlands, of which so much can otherwise be expected, are particularly vulnerable in this respect.

9. The other main resources, climate and water, vary widely and much more needs to be known about them. Favourable conditions for dry farming exist in many areas, though greater study is needed to find the best means of exploiting them. As to water, there are few permanent rivers; their potential for irrigation is frequently limited by the high costs associated with the fact that these rivers flow in deep gorges. There are, however, many seasonal streams which can be used for smaller, cheaper, irrigation schemes. But, for both water and climate, much research is still needed if optimum use is to be made of the techniques and resources abailable. (See Chapter VI).

B. SFYP objectives and Actual Development, 1955-59

(i) Preparatory measures

10. The Second Five Year Plan set out very clearly the policy and goals for production in the agricultural sector. In addition to the quantitative targets set forth, the keynote of the plan was the stress

laid on a series of measures intended to provide a firm foundation for increased development of production and marketing in succeeding plan periods. Far-sighted stress was laid on fundamental long-term policies which would lead to an improvement of agricultural production. Emphasis was put not merely, or even primarily, on capital expenditure during the Second Five Year Plan itself, but also, more importantly, on a range of basic recurrent expenditure on data improvement, research, experimentation, extension and training, veterinary services, and on the preparation of the human resources necessary to ensure steady technical and physical progress in the future. Most important of all, the plan emphasized the need for the organizational, institutional and administrative changes required to make the development expenditures effective.

(ii) Crop production targets

11. The Scond Five Year Plan set specific commodity targets for food and industrial crops, and livestock products. The targets were not, however, set separately for the traditional peasant subsistence sector and for the commercial, monetized, or market-oriented sector, (the latter including some peasant farmers).

12. The table on the next page briefly shows some of the major targets of the plan in terms of increased production over the five years 1955-59. The actual results are shown as a percentage of these targets, although the accuracy and consistency of the statistics in many instances are far from confirmed.

13. The output of agriculture as a whole was projected to grow during the plan period at 2.4% per year. But this implied that subsistence food production, virtually entirely consumed on the farm itself, would gow at a rate equal to that of estimated population growth, or 1.9% yearly. The statistical basis for estimating acutal subsistence food production is weak. But the available evidence indicates that, at best, staple food production for subsistence kept

up with population growth for the Empire as a whole. During this period certain areas of the country have experienced crop failures repeatedly with consequent hardship to the population in those areas.

SFYP—Agricultural Capital Expenditure

	SFYP targets for increased production 1954-59 ('000 m. tons)	Percentage implementation	Annual growth rate realized per head of population
Cereals production	530	91	0.0
Oilseeds	98	53	0.8
Pulses	51	105	-0.1
Fruits	17	88	1.0
Vegetables	76	96	0.8
Sugarcane	250	82	3.6
Coffee	18	176	2.4
Cotton-lint	12	50	30.0
Coarse fibres	9	29	2.0
Meat	65	59	0.1
Milk	109	117	1.1
Eggs (million pieces)	175	95	0.3
Hides and skins (tons)	2,288	49	

14. Although the total contribution of the agricultural sector to the growth of GDP came near to the plan targets, there has been both excess and shortfalls in individual commodities. In the case of coffee, pulses and milk, for instance, plan totals were surpassed. Shortfalls ranging between 10% and 15% occurred in the case of

cereals, fruits and vegetables while sugar cane production remained about 18% below the plan target. The production of oilseeds and cotton reached levels not much more than half of the targets set out in the plan.

(iii) Livestock targets

15. For livestock and meat production, the SFYP called for expansion not only for domestic consumption but also for exports. The foregoing table shows that meat production reached about 60% of its target. The output of hides and skins also fell short of plan targets.

(iv) Planned investments

16. The Second Five Year Plan put adequate stress on the levels and composition of development expenditure required to achieve the proposed targets. Capital investments were acknowledged as important but, although expected to be much smaller in amount, there was even more stress put on appropriate levels and types of required recurrent expenditures.

17. The table on the next page contrasts planned capital expenditures with the actual results for the period 1955-59. So far as total capital investment is concerned, it appears that of the sum of about $240 million foreseen by the plan, only about $100 million, or 42%, was actually spent.

18. The above figures hide some anomalies. In the case of research the detailed breakdown reveals that capital targets were over-fulfilled while recurrent expenditure simultaneously fell below estimated requirements. The SFYP called for the completion of research facilities as soon as possible. Yet, it was three and a half years after the plan had begun, that the Agricultural Research Institute was started. Thus, while the proposed amounts of money

were finally spent, the intended programmes of research could not be carried out in time. Moreover, with the exception of veterinary services, other departments, whose effectiveness was crucial to the establishment of a sound agricultural base, did not have sufficient funds. Examples are the extension services, the agronomy department, education, training, statistics, river surveys and the cadastral land survey. As to the programmes for commercial farms and for the development of co-operatives, implementation was delayed. Fortunately this has been offset to some extent by the spontaneous development of commercial farming at Setit Humera in Begemdir province.

SFYP—Agricultural Capital Expenditure

	Planned	Spent	Expenditure as per cent of planned
	(millions of $)		
Agriculture total:	241.8	101.8	42.2
Services	11.8	8.5	72.0
Survey and Studies (includes water resources)	36.7	10.7	29.2
Marketing organizations	12.7	7.3	57.4
Commercial farms and peasant's monetary investment	180.6	75.3	41.7

19. Recurrent expenditures on agricultural support services amounted to two-thirds of those planned. The shortage of funds was felt more in agricultural research, extension services, and the education and statistical programmes, all precisely the type of human resources and basic data development so vital to the long-term development of agriculture.

(v) Institutional measures

20. Perhaps the main short-coming in the implementation of the agricultural part of the SFYP, in its implications for the future, was the lack of progress in policy measures and organizational programmes, which are essential for both short- and long-term success, e.g., land reform, agricultural taxation, cadastral surveys, registration of titles, strengthening of the administration of agriculture, and the firm establishment of the Ministry of Agriculture as the central agency responsible for agriculture.

C. Third Five Year Plan-Policy Framework

21. The foregoing picture of the second plan period has great significance for the Third Five Year Plan. Emphasis must once again be put on the same foundation-laying and preparatory measures. Although important increases in output are foreseen as feasible for the Third Five Year Plan, these levels are not as great as they would have been if there had been a sufficient expansion of the basic facilities. To a large extent the Third Five Year Plan must be regarded as another preparatory period, designed to assure more rapid and sustained agricultural development in the fourth and subsequent plans.

22. The reasons for assigning such high priority to agricultural development have already been given. The policies which are to guide this development, not only in the next five years but beyond, are now outlined.

(i) General

23. Agricultural policy is designed primarily to deal with the two great problems which beset Ethiopia—the problem of production

and the problem of the peasantry. Both of these have many complex facets and neither is capable of quick solution. Moreover, they are not separate problems and many of the difficulties—and the measures to deal with them—are inevitably complicated by the need to attack both problems.

24. It is necessary to put the main perspectives briefly. Out of four million peasant households 90% cultivate less than five hectares each, two-thirds of them less than 1½ hectares. The existing systems of land tenure further reduce the number of economically viable farms and the combination of these results in the low productivity, the low savings capacity, and the low standard of living, of the mass of the people. These factors in turn reinforce the low productivity because neither the means nor the motives exist for increasing output.

25. This deadlock cannot be broken easily or quickly; it requires much investment and effort and, above all, a rapid development of the non-agricultural economy alongside more effective services to the farmers so that when the demand for their products grows they are willing and able to meet it.

26. Because there is no quick solution to the peasant problem, and because only a modest growth of output from peasant agriculture can be expected in the five years ahead, there is a simultaneous need to develop modern commercial agriculture. This activity provides considerable opportunity for a rapid production increase, and immediate impact on the entire economy, if given the required allocation of capital and expertise. The two main policy lines for the TFYP will thus deal with commercial farming on the one hand, and peasant, subsistence agriculture on the other.

(ii) Commercial agriculture

27. The rapid development of commerical agriculture is the only way to get the relatively quick increase needed in agricultural exports. It will clearly be essential to induce more foreign private investment, and to import the needed managerial and technical skills; these farming enterprises may be public or private in ownership and operation, but the really important consideration is that the activities be commercially and financially sound. It is from this sector that the rapid gains are expected in output and availability of surpluses, both for consumption domestically, particularly in the cities and towns, as well as for export. Policy will follow two main lines, requiring major government effort to mobilize the necessary capital investment. One is an emphasis on the identification and development of promising projects which can be expected to yield results relatively quickly. Such "impact" projects will be those yielding maximum returns on any investments made, including indirect public investment, and will thus make the maximum contributions to new employment and settlement of farmers, to the GDP, and to exports or substitution for imports. Preliminary identification of impact projects is already being undertaken. If plans and projects are to be realized efficiently and quickly, reliance must be placed upon private initiative and enterprise, and particularly on considerable amounts of private direct investment from abroad. The Government will, therefore, formulate policies to encourage the investment of capital and skills for the development of large-scale agriculture, and agro-industrial complexes, bearing in mind the desirability of close co-operation between foreign and local interests at every stage. Areas of particular potential for commercial agriculture are, among others, the Middle and parts of the Lower Awash, the area around Addis Ababa, the Rift Valley lakes area, and the South-Western Highlands. In this latter area, attempts are to be made to enlist the International Coffee Diversification Fund for studying what other commercial crops may be introduced to widen the export range beyond coffee. Finally, it is the Govern-

ment's intention to encourage and support the spontaneous development of commercial farming which has begun in the north-west lowland area near the Sudan border.

28. The second line of attack will concentrate on the opening up, for settlement and cultivation, of new lands in various parts of Ethiopia. The north-western and western lowlands provide examples of extensive and promising fertile soils needing proper studies and preparatory work, and then policy measures to initiate their development. The Awash vally, particularly in its middle reaches, is another area of great promise to which the Government attaches priority in its Third Five Year Plan. According to the approved development programme of the Awash Valley Authority there should be good opportunity for large-scale production of cash crops in the Awash Valley. In the opening of new areas, government policy will particularly rely on adequate studies and preparatory work, as well as on the valuable experience of the settlement schemes which are being undertaken in the Middle Awash and in Welamo. (For more details see Chapter XX, Regional Aspects of the TFYP).

29. So far as government policy for commercial farming development is concerned, it is clear that public action must complement whatever private initiative and investment are directed into commercial agriculture. Not only must the Government create the necessary infrastructure, it must also carry out its policies concerning land concessions, ownership, investment, and tax incentives. In certain cases, there may be justification or need for government financial participation; a flexible approach to this question will have to be maintained, keeping in mind that the main consideration is always that of the viability of the project.

(iii) Policies for peasant agriculture

30. The traditional area of peasant subsistence farming, concentrated on the relatively densely populated highland plateau, will

yield only slowly to efforts made to modernize it. The problems are numerous and complex, and not so much a question of providing the necessary capital or other resource inputs, as of designing policies, specific measures and administrative means, which can begin effectively to help the peasant farmers. The peasants are generally aware of their own material and social environment, and the need for improvement; but they are impeded by lack of capital, of technical knkwledge and the means to apply it, and of markets and market access. They must also be convinced, by repeated demonstration, that the new ways of doing things are in their interests. It cannot be denied that peasants stick to their traditional ways but experience has shown that, if the markets and methods exist which will make extra effort profitable, they will respond to methods, in order improve their way of life.

31. Modernization of peasant subsistence agriculture in all areas of the country simultaneously is hardly feasible. It would merely mean dilution of effort and of limited resources. But no time should be lost in making a start in strategically selected areas in which, good results can soon be seen. It is the Government's intention to proceed rapidly with the identification and preparation of promising areas for concentrated development in different parts of the country. Immediate policy is to concentrate on the following three regional projects, where much of the identification and preparatory have already been begun or completed: Chilalo in Arussi province. Welamo in Sidamo province, and the southern livestock region. Further details of these three projects are given in the chapter on regional aspects of the TFYP (Chapter XX). But efforts in these areas will not be allowed to divert attention from the need for studies and preparatory work for new projects elsewhere.

32. The most promising approach to the successful development of startegically selected areas is that known as the "package programme". This simply means the policy of concentrating development efforts, in given areas of not too great a size, utilizing all the

material and human resources required to change traditional and inefficient methods. Part of the objective is to increase output so much that significant surpluses become available for marketing outside the area; as a result, the peasants will be introduced to the commercial market system. The creation of storage facilities will encourage extra production for the market. Access roads are essential; feeder roads, primarily for agricultural produce, are described fully in Chapter XV. Concentration will be on the opening-up of areas, which are at present insufficiently accessible, particularly east Gojjam, south Kefa, northern Illubabor, and western regions of Wellega, Begemdir, Sidamo, Eritrea, Wello and Shewa. The Government recognizes that most, if not all, of these package programmes will be its direct responsibility.

33. Multi-purpose agricultural co-operatives are one of the best institutional forms for carrying out these programmes. Such "co-ops" should be managers of supply and credit flows, as well as providing the main marketing channel; however, it is evident that one cannot expect too much of co-operatives until they are well established, accepted, and experienced. Available credit must also be increased with the help of an efficient agricultural financing institution. Extensive health and disease control programmes will be required in many instances, as will other measures to improve rural life, such as the availability of water and fuel.

34. To complete the package programme, the farmers must be assured of a supply of incentive consumer goods on which they can spend newly acquired, or increased, money incomes. The number, kind and price, of these must be such as to maintain their interest, so that there is an incentive to earn even more. The package programme approach is neither quick nor easy. Some of the more difficult problems are described in Chapter XX on regional development. Nevertheless, the Government is convinced that such an approach is appropriate to Ethiopia; and the Ministries of Planning and Development and of Agriculture are now identifying and pre-

paring three more schemes, to augment those already begun in Chilalo and Welamo.

(iv) Land reform

35. The need for vigorous policies of land reform is, as has already been stressed, evident. Very little progress in agrarian reconstruction and development, particularly in peasant agriculture, can be made under the existing conditions of tenure and farm size. The immediate concern of land reform is to overcome the apathy, of the agricultural population, caused by traditional inequitable land tenure patterns, concentration of land owneship in a small group, insecurity of tenure, and exorbitant rent or share cropping arrangements.

36. However, a programme of revising the tenurial system is only one step. In the economic sense it will give very small results, unless it is supplemented by measures in the closely associated and complementary provision of technical guidance and training, agricultural credit, fertilizers, improved seeds, cooperative development, marketing facilities and so on. Equally necessary is the creation of an appropriate institutional environment. A rational approach to land reform calls for integrated efforts for agrarian reconstruction as a continuing process, making it possible for agriculture to adjust to technological and demographic development. It is essential to focus the efforts on comprehensive programmes, and in regions in which the need for land reform activities is most urgent, and where the pre-requisites for its implementation are satisfactory. It is equally necessary to establish clear priorities in order to carry out effective land reform programmes. Since the economic justification of land reform is the provision of incentives for additional efforts to the cultivator, so that he may increase his productivity, the importance of social criteria is also justified from the point of view of agricultural and conomic development.

37. A change in the structure of farms, in order to adjust their size to the requirements of up-to-date production and labour-productivity techniques, requires correlated changes in the structure of the economy. Despite the long-term nature of such reform of a society, policies intended to solve these problemes will be implemented in the TFYP.

38. Because of the absence of cadastral maps and registration of rights in land, ownership and tenancy rights are not clear, and boundaries are not clearly demarcated. As a result land titles are not secure. Litigation is a common problem. The Ministry of Land Reform and Administration will therefore submit to parliament legislation calling for a cadastral survey, title registration, and adjudication procedures. In the TFYP upto 6 million hectares of the provinces of Shewa and Arussi will be covered.

39. Another urgent land reform meausre to be implemented in the TFYP is the enactment and execution of legislation concerning landlord-tenant relationships, with the main aim of protecting tenants against arbitrary eviction and replacing the share cropping system of paying rent with a fixed rent system; but it should also provide for written leases, compensation for improvements made by the tenant, a right of pre-emption for the tenant on sale by the landlord, and other measures designed to increase the security of the tenant. The Ministry of Land Reform and Administration will shortly submit to parliament legislation to provide for the regulation of agricultural tenancy relationships.

40. One of the major problems of structure that can be dealt with successfully in the TFYP period is the existence of excessively large unutilized holdings. Many of the potentially productive lands in the Empire are now held by a few persons. A progressive land tax would force these persons to put the land into production—i.e., act as a negative incentive—in order to avoid the burden of the tax, or the loss of control of the land through being compelled to

lease or sell it to other persons who are willing to cultivate it. The Ministry of Land Reform and Administration will submit legislation to provide for a tax on unutilized land.

41. The traditional communal system of land ownership prevailing in the northern part of the country eliminates the possibility either or mortgage credit or of transactions in land. It also seriously obstructs farmers from investing in productive farming operations and particularly from safeguarding againsty soil and water erosion. The Ministry of Land Reform and Administration during the TFYP period must complete necessary studies to formulate a tenure pattern which would solve the problems.

42. The Ministry of Land Reform should undertake studies, in cooperation with other organizations concerned, to devise land classification criteria, and, during the TFYP period, implement classification in areas where implementation of intensive agricultural development measures is planned.

43. In connection with already approved programmes of distribution of government lands to private citizens, the Ministry of Land Reform and Administration should make these grants conditional on the full and proper exploitation of the land within a reasonable time. It will take all steps necessary to grant ownership rights to tenants of government land, particularly where tenants are otherwise landless.

44. The Ministry will require strengthening and support to implement these polices; a training and research institute will be established. This organization will give the Ministry the necessary information, as well as the personnel, to lay down and effect sound policies.

(v) Crop production policies

45. Policy for crop production is designed to meet the three major objectives of increased exports, greater substitution for imports, and coverage of urban food supply requirements. For exports, continued attention will be given to the most important item, coffee, where the policy stress clearly must be on the improvement in quality. The policy of active promotion of new markets abroad, in non-quota countries, will be firmly pursued. Finally, a programme to diversify agriculture in the coffee growing regions will be pushed energetically. The need for greater exports will also require policies to increase oil seed production (especially sesame, cotton seed and ground-nuts) and the output of pulses (haricot beans particularly). It is also intended to encourage the growing of peppers and vegetables for export to Europe, and to increase the sales abroad of Ethiopian livestock products. Special attention will be given to developing the production of tobacco for export. Tea, also, can be an important export for Ethiopia and a start will shortly be made on the promotion of commercial production (including that of outgrowers) near Gore and Wushwush.

46. The need for import substitution will focus efforts primarily on policies for raising output of cotton, coarse fibres, and wood products. As to urban food supplies, the aim will be to raise cereal production, particularly of wheat, to meet domestic demand, including additions to reserves.

(vi) Livestock policies

47. The need is recognized for a carefully conceived and realistic livestock and livestock products development policy which can lead to concrete and practical results during the period of the Third Five Year Plan. The policy to move energetically on the control of animal disease is one aspect, closely lined with the need for marketing outlets through which the improved quality meat

can be sold. Better range mangement methods, as well as improved breeding and finishing, will also be given attention. Past experience and more research will lead to more efficient location, design, and management, of meat processing facilities. With the limited resources available, the main emphasis of the TFYP will be on the Southern Livestock Region Project. Among, other features, the pilot mangement units, established at Yebelo and Adami Tulu will continue to be supported, and a new unit will be formed at Negelle. Similar comprehensive livestock programmes are to be devised for the northern provinces later in the plan period.

(vii) Policies for surveys and project identification

48. The fundamental need for information on which to take sound decisions is stressed throughout this plan. Agriculture is no exception and, while specific needs are described elsewhere in this and other chapters (notably in chapters on regional development and natural resources) the main policy objectives for the future will be to improve and augment the number of projects which, as the third plan begins, are clearly too few. Intensive studies to indicate the best approach to agricultural development in particular areas will be given priority; at first attention will be on the south-west highland region, which has great potential, on the southern Rift Valley lakes areas, and on a number of large unused areas, probably suitable for modern rainfed farming, in central and western Wellega. Further details of these plans, and other more tentative proposals, are given in Chapters VI and XX.

(viii) Technical policy measures

49. Appropriate technical measures can substantially increase productivity even on the existing small holdings. TFYP policy is to push ahead as rapidly as possible with research and experimentation into technical improvements; and the result of this work must

be fed to the farmers rapidly and in such a way that they can use it beneficially. Among the main lines of action will be the improvement of seed quality, seed-bed preparation, storage methods, selection of better breeds, control of pests and diseases. The introduction of more efficient implements and machines will also be the object of a vigorous campaign, in which 10 multi-purpose agricultural stations will be set up for demonstration purposes and for teaching new techniques. These stations will also produce and distribute improved seeds, as well as helping with crop protection methods, fertilizer application, etc.

50. The promotion of fertilizer use is also an important aim of the next plan period. The FAO's Freedom from Hunger Campaign has enabled several hundred promising trials to be conducted. FAO is also assisting the Government in two pilot schemes, at Shashemenne and Debre Birhan, for fertilizer credit which, if successful, will be extended to other areas.

(ix) Soil conservation

51. There is an urgent need now to adopt and implement a policy of conservation of the most precious resource, the land and soil itself. Studies and evaluation of the nature and extent of erosion in Ethiopian agriculture will be pursued, especially to establish the right methods, and the cost, in those areas of most immediate concern, where it is essential to arrest further erosion. This is a difficult subject, involving proper methods of soil cultivation, such as contour ploughing, drainage, and many other factors. It is intended to make good use of the resources which already exist and to increase funds and manpower (and, where necessary, enacting legislation), so that effective programmes can be initiated. Further study is urgently needed but present indications are that priority must go: (i) to the creation of a new division of the Ministry of Agriculture, to deal with soil conservation; (ii) to the training of staff for mobile extention teams; (iii) to the enforcement of forest

legislation and re-afforestation measures; (iv) to the selection of additional areas for immediate action. (The protection of the Awash headwaters and of the main highway system have already been selected for early attention).

52. In certain areas such as the south-west highlands, where concessions and settlement are envisaged, soil conservation is of supreme importance. Measures to protect these areas will therefore have priority in the conservation programme. When allocating land either to individuals or commercial groups in these regions, the Government will insist on the adoption of proper agricultural methods. The "good husbandry" clauses which are a feature of land policy in many other countries will be introduced in concessions and settlement schemes.

D. Production Goals for the Third Five Year Plan

(i) Value of production

53. The total output of agriculture, forestry and fishing is expected to grow by about 3.1% per year from 1960 to 1965. In agriculture alone, the growth is projected at 3.1%. This is calculated on the expected expansion of the peasant subsistence sector by 1.8%, while the output of the monetary sector is scheduled to grow by 6.3%, within which the smaller sector of commercial farms will expand by 12.6%. Output objectives in terms of gross value of production are summarized on the next page.

(ii) Crop production targets

54. Whether for domestic consumption or for export, the increase in output of the various agricultural crops and commodities is expected to be markedly different during the TFYP. The table on page 203 gives a summary of the main projection.

Projected Value of Production in the TFYP (1960-65)
(In millions of $ at 1958 prices)

	1960 (Estim.)	1961 (Planned)	1965	Index 1965 1960 %	Rate of growth 1960-65 %
Total agriculture[1]	2,015.4	2,066.3	2,347.0	116.5	3.1
(a) Peasant subsistence agriculture	1,461.9	1,485.9	1,596.0	109.2	1.8
(a) Peasant subsistence agriculture	1,461.9	1,485.9	1,596.0	109.2	1.8
(b) Peasant monetary production	413.4	430.2	497.2	120.3	3.8
(c) Commercial farms	140.1	150.2	253.8	181.2	12.6
- Coffee	67.7	69.2	76.2	112.6	2.4
- Food crops	37.2	42.8	91.9	247.0	19.8
- Industrial crops	32.4	35.0	73.6	227.2	17.8
- Livestock products	2.8	3.2	12.1	432.1	34.0

[1] Gross output less agricultural products used for further production (seeds, livestock feed, etc.).

55. The largest relative increases in production are expected to come in cotton fibre (20% annually), with sugar cane the next, at 10% annual growth. Both of these products are produced by commercial agriculture, and are industrial crops which substitute for imports. Oilseeds, a main export group, of which the most important item is sesame, should expand by 7%. In the 3-5% annual growth category there are such items as pulses, fruit and orchard products, and meat of all types. Coffee also is scheduled to grow by about 3% *per annum*, although the 1960 output was itself well below the levels of some earlier years, notably 1957 when production exceeded 170,000 tons. Except for wheat, which is expected to expand at about 4% annually, the other staple food grains are

expected to increase production at 3% or less, and a similar growth is likely with other staple foods such as potatoes and yams, and milk production. These goals for production represent, for the most part, sizeable increases over recent performance, and ambitious though they may seem to be, are considered feasible in terms of known and potential resources and capabilities.

Projected Gross Output of Selected Agricultural Products—(1958-1965)
(In Thousands of Tons)

	1958 (Actual)	1960 (Estim.)	1965 (Plan)	Percent increase 1965 / 1960	Rate of growth 1960-65
1. Cereals—					
of which	5,207.6	5,486.8	6,226.2	13.5	2.6
- Teff	1,267.0	1,304.3	1,402.3	7.5	1.5
- Wheat	721.7	760.0	922.5	21.4	4.0
- Others	3,218.9	3,422.5	3,901.4	14.0	2.7
2. Oilseeds	391.7	437.4	607.6	38.9	6.8
3. Pulses	576.1	599.6	713.6	19.0	3.6
4. Coffee	140.0	160.0	185.0	15.6	2.9
5. Sugar cane	826.0	858.0	1,375.0	60.3	9.9
6. Cotton fibre	7.2	10.4	26.0	150.0	20.1
7. Meat	372.4	390.3	465.1	19.2	3.6

E. The Resource Input Requirements

(i) Expenditure

56. To achieve the value and production targets described above, the input of resources to agriculture will have to be considerable.

The following table indicates that, during the plan period, a total of $463 million will need to be spent on agriculture, forestry and fishing. Of this large sum, about $361 million is required for capital expenditures in the broad sense, predominantly for fixed capital investment, but also for a number of surveys and studies specifically related to the identification and preparation of capital projects. The remaining $102 million are required for recurrent expenditure on development projects, expenditure just as vital to programme fulfilment. Agriculture alone will, of course, absorb the lion's share of these expenditures, taking nearly 90% of the total.

Capital and Current Expenditure Projections 1961-1965

		1961-1965 ($ million)	Percent
Capital Expenditures			
1. *Productive activities*		274	59.2
Commercial Farms	209		
(Awash Valley Authority alone)	(60)		
Multi-purpose Co-operatives	30		
Peasant farms	35		
2. Marketing Organizations		11	2.4
3. Services and Research		30	6.5
4. Water Resources Surveys and studies		28	6.0
5. Forestry and Fishing		18	3.9
Total capital expenditure (1—5)		361	78.0
Recurrent Development Expenditure		102	22.0
Total Development Expenditure		463[1]	100.0

---

[1] Excludes $12 million additional allocation to the Ministry of Land Reform and Administration for cadastral surveys in Arussi and Shoa and some other programmes.

57. In *capital expenditure* on agriculture,[1] approximately $285 million or 90% is for productive projects or programmes. Over half of this total is expected to be spent on commercial farms and ranches, predominantly by private enterprise, both domestic and expatriate. State-owned and operated farms and ranches (such as those at Arba Minch, Awassa, etc.) will be allocated about $11 million, with another $2.8 million going into prison farms. The granting of these funds will be subject to annual review of their operations. For its development programme, the Awash Valley Authority will need about $60 million, about one sixth of it for the settlement of peasant families and the rest for irrigation dams and other facilities. Multi-purpose co-operatives directly concerned with agricultural production and marketing are expected to require $30 million of expenditure, during the plan period, of which most will be in the form of loans. Small peasant farmers are also engaged in some investment activities of a monetary nature; this type of small-scale but widely diffused investment is expected to absorb about $35 million. Other agricultural projects which are expected to need nearly $11 million include a coffee centre, projects of the Livestock and Meat Board, and sums for the activities of the Grain Corporation. The facilities and equipment for vitally important supporting services and research will absorb nearly $30 million.

58. *Current expenditures* of a directly developmental nature are also required on a large-scale and are of critical importance. Agriculture alone is expected to require almost $97 million over the years 1961-65. A very large proportion of this amount, $90 million, will be needed for basic agricultural support services. The key items here are $6.6 million for expanded and more effective extension services; nearly $17.4 million for veterinary services, largely to be expended in the field projects; over $5.3 million for plant production and protection activities, including soil and water conservation; over $2.5 million for recurrent expenditure on animal breeding

---

[1] Items 1, 2 and 3 in the preceding table.

stations and farms; and nearly $7 million for recurrent costs of regional development units. Some $12 million will be needed for provincial and central agricultural offices. Contributions to international organzations, mostly for membership, will be $2.6 million. Finally $20 million[1] will be spent by the Ministry of Land Reform to carry out its programmes of mapping, cadastral survey, research, and administration of land reform measures.

59. Agricultural education of various types, as provided by the network of agricultural schools and institutes, will require not less than $5.6 million over the plan period. In no area of the economy are basic statistics and data more urgently required than for agriculture; and a sum of $1.3 million has been assigned for this purpose. The Agricultural Research Institute will use about $10 million, and government services to co-operatives a further $4 million. Miscellaneous activities and programmes absorb the balance of the current expenditure forecast.

60. Unless these large capital and recurrent expenditures are effectively and promptly spent, the end of the Third Five Year Plan is unlikely to find the agricultural sector in a better state of development and progress than it was at the end of the second plan period. The Government is determined to commit itself whole-heartedly to this programme and the people must be helped to understand its importance if agricultural progress is to become a reality.

(ii) Sources of finance

61. Main reliance for the capital investment outlays outlined above must be pleced on domestic financial sources. Of the $361 million total, not less than $261 million, or 72%, is projected as coming from internal sources. Of these, Central Government budget is counted upon to provide about $111 million. A further $12 million from the Government will be channelled through the Development

---

[1] This excludes $12 million additional allocation made to land reform.

Bank of Ethiopia (or other government agencies) to add to the $58 million generated by those agencies themselves—a total of $70 million. Own resources of farm enterprises, ploughed back into productive activity, and private bank loans make up the balance of domestic fund needs. External resources for the programme are estimated at $100 million of which it is expected that $70 million will be received in the form of external loans and credits, $9.5 million in direct grants and $21 million of direct foreign private investment including the reinvestment of profits.

62. For the important recurrent expenditure programme, a total of $102 million is the forecast requirement. Except where recurrent costs are provided as part of an aided project financed from a foreign source, all current costs will have to be met from public sources. It is fully recognized by the Government that these current costs must be provided simultaneously with the capital expenditures if the latter are not to be wasted, and if the objectives are to be reached.

(iii) Training, education and manpower

63. Undoubtedly the most difficult, and yet the most important, aspect of the entire agricultural picture will centre around the supply of the trained manpower needed to fulfil the large programmes set forth in this plan. It is estimated that the combined needs of all agricultural sectors for high level skilled manpower (i.e. university or secondary levels of technical education) will amount to about 1900 additional people. Probably something like 1100 skilled workers in various categories will also be required. The problem of meeting this demand raises two issues. Firstly, there is the capacity of existing or planned training and educational institutions to produce the required people. Because of real doubts as to this capacity, the second issue, that of the effective assignment and unitlization of the skilled persons who are, or will become, available, is equally crucial. It is clear that, in this latter regard, there is need for improvement; policies in general, and agricultural policies

in particular, will insist on measures to make optimum use of those skills which the country already possesses.

64. It appears that, at a minimum, agricultral programme will require the preparation and training. followed by the efficient assignment, of no less than 350 extension agents and assistants. About 500 new agronomists and agricultural technicians will also be needed. No less than 200 trained veterinarians and animal health assistants will have to be prepared in Ethiopia, or else recruited from outside. Along with these must go a large number of auxiliary personnel in the form of skilled vaccinators, laboratory technicians, etc. The land reform programme will also require many hundreds of trained and semi-skilled professional and technical workers for the carrying out of the cadastral survey, land registration, etc.

65. In order to meet the above requirements the existing agricultural schools, with minor improvements in accommodation and facilities, must operate at full capacity, and new schools for forestry must be opened. New enrolment in the Alemaya College (degree level) as from 1961, will be in accordance with the requirements of the fourth plan. The schools of agricuture at Jimma and Ambo will run at their full capacities of 200 and 120 respectively, as from 1962. A yearly output from the Debre Zeit Animal Health School of 25 animal health assistants and 65 vaccinators is planned from 1961 onwards. It is also planned to establish ten farm training centres at various government seed stations or animal breeding stations. Regular operation of two schools will start in 1963, four in 1964 and four in 1965. These centres will also be used to train tractor drivers. About 60 co-operative trainees a year are to be trained at the Awasa training centre. A Land Reform and Administration Training and Research Institute, for which U.N. Special Fund help is being sought, will be established in 1962. Finally, a permanent centre for demonstration, training and research in agricultural marketing will be set up by the National Livestock and Meat Board; UNDP assistance is being sought for this project.

66. Apart from middle level or other formal training, the Ministry of Agriculture, other agencies, and the private sector, will be encouraged to provide in-service training in a variety of specialized agricultural and allied skills; these include operation and maintenance of agricultural machinery, storage techniques, handling and marketing of hides and skins, etc.

67. It is estimated that the combined needs of all agricultural sectors for high-level skilled manpower will amount to at least 440 additional people. In order to meet these as well as other long-term manpower requirements, it is essential that Alemaya College should operate at full capacity. Improvements in accommodation and facilities will be undertaken to make this possible. New enrolment as well as projected output of Alemaya College however will not be able to meet TFYP requirements for professional staff. An additional measure can be provided by the employment of third year Alemaya students, about 40 of whom will be available annually through the Ethiopian University Service. In co-operation with the EUS, it will be the responsibility of government ministries and agencies to ensure the effective placement and utilization of these students in agricultural development projects.

F. Forestry and Fishing

1. *Forestry*

68. About 7% of Ethiopia's land surface is forested. This represents a major natural resource and the SFYP set out a number of policies and programmes for the controlled management and utilization of the timber. Little of the programme was in fact carried out. A combination of lack of information—especially as to forest ownership—and lack of official support for the forestry service, already under-staffed and inefficent, seem to have been the main reasons. But, whatever the reasons, the facts are disturbing, Planned investment on forest development was set at $7 million of which

$1.6 million was to be spent by the Government. Total actual expenditure came to $700,000—10% of the target—and the Government's share of this was $280,000, or less than $60,000 per year.

69. It is not surprising, therefore, that at the start of the TFYP, the ravages of deforestation continue virtually unchecked, state forests remain unexploited and unmanaged, domestic timber prices are high and forest products imports are steadily rising (they were nearly $9 million in 1959.

70. The present plan, of necessity, repeats the policies and programmes of its predecessor, but with the determination that this time they be undertaken. It is accepted that the country does not have unlimited time available and that the forest resources will rapidly diminish unless urgent measures are taken for their preservation. Policy will therefore stress three main, inter-locked objectives: the strengthening of the forestry service; the protection of forest resources; and the economic exploitation of state forests.

71. The efficiency of the Forestry Department is to a large extent a reflection of the administrative and technical capability of the Ministry of Agriculture, of which it is a part. The proposals for strengthening that Ministry, described further along in this chapter, include better staffing, orgainization and funds for the Forestry Department, and the assignment of high priority to the implementation of the forestry programme.

72. To protect existing forest resources, the principal weapons are staff, funds, and authority. Three forestry acts were proclaimed during the SFYP and the main effort for the future will be to make this legislation effective and enforceable.

73. Linking two major plicy lines, protection and exploitation, is the re-afforestation programme. A collection centre for improved seed will be established, nurseries will be expanded and afforesta-

tion programmes (for public and private land) will be prepared. It is proposed to increase seedling output from government nurseries to about 120 million plants in 1965 from a level of 10 million in 1958. This is thought to be sufficient for the afforestation target of 120,000 hectares by the end of the plan period. With the assistance of community development officers, village forest development will also be organized to provide fuel and building timber. In 1961 a concrete programme for state forest exploitation will be prepared and it will be actively carried out from 1962 forward. Simultaneously, and of great importance, a programme of forest research will be initiated. Better statistical data—the lack of which was amply demonstrated during SFYP—and technical information on growth patterns, yields and marketing of various species of timber are urgently needed.

74. The TFYP output for forestry shows an increase in production of saw logs and veneer logs by 18% respectively. Value of output from the whole sector is expected to rise from $111 million in 1960 to $127 million in 1965. To achieve these results, capital expenditure of some $14 million is projected, over half of it on the exploitation of state forests. A further $3.6 million will be needed to meet current expenditures on staff and other operational costs. Finally, the training of suitable professional foresters and forest guards, as well as skilled men for seedling production and timber production, will need resources and organization; the emphasis must be on the production of skills relevant to Ethiopia's needs. The Forestry Department will undertake preparatory work for its new middle level school for forestry rangers in 1961, as part of the Jibat project. The training of lower grade forestry workers will commence at Ambo in 1961.

2. *Fishing*

75. Largely because of poor techniques and equipment and virtual dependence on foreign markets, fish production shows great varia-

tions in quantity from one year to another. Commercial fishing is almost entirely concentrated in Red Sea coastal waters; there is little deep sea fishing and virtually no production from inland waters. The Fisheries Department of the Ministry of Agriculture will require additional staff and funds to implement the TFYP policies for fishery development. These are: (a) to evaluate the fish potential of inland waters and prepare utilization programmes; (b) to improve catching and processing methods and to develop markets; (c) to assist in the establishment of fishery co-operatives; (d) to provide credit; and (e) to organize training for the introduction and use of modern equipment.

76. Both near and distant prospects for the development of the fishing around Asseb, and the development of fresh water fisheries are ready for launching early in the TFYP—commercial lobster fishing around Asseb, and the development of fresh water fisheries on Lake Abaya. Feasibility studies for these projects have been completed.

77. Total expenditure during the TFYP on fishery development and allied activities is estimated at $5 million of which 80% will be capital costs. Controlled expenditure should ensure that the expected four-fold increase in the value of annual fish production, to $8.7 million by 1965, is achieved.

G. Organization and Administration for Agriculture, Forestry and Fishery

(a) General

78. Throughout this plan the need for efficient organization is constantly reiterated, and rightly so. In no sector is this more important than in agriculture. Not only are the social and physical

problems immense, but the available resources are limited, and must therefore be deployed to the utmost productive effect.

79. Agriculture, in one aspect or another, affects every other sector to a greater or less degree. The over-riding orgainzational requirement, if real progress is to be made in the next five years, is to integrate and coordinate the plans and actions of the many ministries and agencies concerned in production on the land. This is not an impossible task; the amount of collaboration already achieved in the course of preparing the TFYP has been encouraging. It is, nevertheless, a continuing and difficult task to which the Government is entirely committed.

(b) Policy and measures

80. Because the Ministry of Agriculture bears the main responsibility for carrying out national policy, the administrative strengthening starts in that ministry. It will be government policy to institute at once a review of the work and capabilities of the Ministry so that it may be improved in efficiency and effectiveness. Not only is this necessary for the programme requirements of the plan, but, as the Ministry develops, it is intended to transfer to it a number of vital functions now performed by other departments—in order to avoid the duplication and overlapping which are so wasteful of resources at present. Arrangements for initiating this review of administrative functions are described in Chapter VIII where agriculture is described as a priority task for the Administrative Reform Committee.

81. It is clear, even before the results of the review, that the senior and middle level staff of the Ministry of Agriculture need augmenting in number and quality. It will be government policy to accept full responsibility for effecting this increase, consistent with its determination to assure achievement of significant agricultural growth in this new plan period.

82. From this acknowledgement of the main orgainzational need, the following specific measures to carry out policy will be taken:

(i) The establishment of a Co-ordinating Committee to be chaired by the Minister of Agriculture or his authorized high level representative with membership of all ministers or heads of government agencies (or their representatives) who have responsibility for agricultural or related activities. Such ministerial Committee will be serviced in technical matters by the programming and planning unit of the Ministry of Agriculture (see (v) below) which in turn will maintain constant consultation at technical level with the planning units of the other ministries and agencies represented on the Co-ordinating Committee. The Committee will :(a) discuss and review agricultural development policy measures; (b) co-ordinate the activities of its member organizations to ensure that all agricultural policy objectives are properly carried out; (c) review annual programmes and their implementation.

(ii) All government farms now operated by the Ministry of National Community Development and Social Affairs will be converted into independent corporate bodies. The conversion will be carried out with the advice of the Administrative Reform Committee.

(iii) To initiate and co-ordinate policy at the top, and to lay down guide lines for the course of co-operative development in the future, it is proposed to set up a National Co-operative Board under the chairmanship of the Minister of National Community Development and Social Affairs, with representatives of the concerned ministries and government agencies, financial institutions and co-operative societies. The Ministry of National Community Development and Social Affairs will provide secretarial service to the Board.

(iv) The Forestry Development Agency, set up in 1961, will be given the necessary authority, funds and staff to carry out government policies for management and exploitation of state forests.

(v) Within the Ministry of Agriculture, a programming and planning unit will be established to identify projects, conduct agro-economic research, and evaluate the progress of the Ministry's activities. Planning units will also be established when necessary within other ministries and agencies of the sector to prepare, evaluate, and programme projects, and to evaluate other activities.

(vi) A Soil and Water Conservation Division will be formed, also within the Ministry of Agriculture, to identify, prepare and carry out priority programmes for conservation in co-operation with the Extension, the Plant Production and Protection, and the Forestry Departments of the Ministry of Agriculture, as well as with the Agricultural Research Institute and the Water Resources Department of the Ministry of Public Works.

(vii) The regional network of agricultural offices will be expanded with the aims of concentrating responsibility for project supervision, field services, and provincial agricultural administration, in regional offices. This will permit the central office to concentrate almost entirely on policy matters and specialist technical support. The programme for decentralization will be closely co-ordinated with that of other related ministries (notably Land Reform and Community Development) in order to ensure close co-operation, and to economize in staff, and in costs.

(viii) Legislative proposals for agriculture include early enactment of regulations covering animal health, pest control, and meat inspection. Laws are now being drafted, or will shortly be prepared, to give authority to government policy proposals in suchmatters as land reform and tenure, development credits, and regional settlement schemes. Moreover, the proposed reorganization of agricultural administration—including the institutional changes outlined in this section—will require legal authority: draft legislation will be prepared and enacted as soon as possible.

Chapter XI

Manufacturing Industry

1. The growing maturity of modern factory industry, and the vitality demonstrated by the private sector, have made necessary a more sophisticated approach than heretofore to planning, for the Third Five Year Plan period. Planning on the basis of indentifiable "projects" has had to share attention with the planning of "production targets", to allow flexibility in decision-making by individual investors. At the same time, additional measures to be taken by the Government have had to be identified, to assist the attainment of targets by the most efficient use of scarce resources.

A. The Second Five Year Plan Period

2. The increase in industrial production during the second plan was substantial, attaining approximately 16% per year, but was lower than the planned target of 27% (both at constant prices). Also, the export target of $80 million for 1959 (at 1954 prices) was not reached—the actual figure reached being an estimated $22 million (at current prices).

3. Investment in manfucturing industry, both from private and public sources, reached an estimated $306 million—at current prices—during the second plan as compared with the target of $318 million—at constant prices. The relatively close approach to the investment target was partly the result of private decisions to meet unanticipated market demands, and partly of inducements given by the Government to private investors.

4. Employment increased at a slightly faster rate than that expected in the plan, if the agricultural workers on the sugar estates are included. Worker productivity (at constant prices) did not change significantly during the plan period.

5. An analysis of industrial growth during the Second Five Year Plan reveals the following characteristics; they are typical of the early years of an industrial development programme. They do, however, suggest modifications in policies and programmes for the Third Five Year Plan.

(i) Manufacturing industry as a whole required a larger. than-expected capital investment, relative to the increase in gross production; this was owing, among other causes, to the failure of markets to justify the capacity installed, or to capital costs being higher than planned, or, in other cases, to the failure of management to attain production goals.

but they were found to require more imported raw materials than had been planned. Export industries grew more slowly than planned.

(iii) Government inducements, in some cases, to private investors, particularly in the form of tariff protection, were prolonged beyond the initial stage necessary for establishing an enterprise.

(iv) Consideration was given to increasing the productivity of labour during the Second Plan but labour productivity remained about constant.

(v) Dependence on foreign entrepreneurial and management personnel continued. Nevertheless, there was a small, but inadequate, increase in the number of Ethiopian entrepreneur - managers.

(vi) Industry continued to concentrate chiefly in the Addis Ababa and Asmera areas. However, investors, both public and private, did establish a number of enterprises in other areas.

B. Development Policy for the Third Plan

6. With over 300 factories in operation, and with employment of some fifty-thousands, excluding agricultural workers on sugar estates, the objectives of the third plan must be will chosen if industrial growth is to give maximum benefit. The following objectives will not only serve to guide industrial development, during the third plan, but will also be useful for the long-term perspective of industrialization.

(i) Encourage the processing of locally available raw materials, particularly agricultural and mineral products, for the internal and export markets.

(ii) Continue the present encouragement to import substitution industries, with the objective of saving substantial foreign exchange.

(iii) Recognize the need for manufacturing industry to contribute to peasant agricultural production, through the provision of low cost equipment, supplies, and consumer goods, not yet available to this part of the population.

(iv) Assist the development of new urban growth centres where employment can be provided to local people in manufacturing and processing industry.

(v) Give special attention to those industries which, through forward or backward linkages, stimulate the growth of other industries, or other sectors, such as integrated agro-industrial ventures.

(vi) To the extent consistent with the development of enterprises, encourage the use of indigenous resources, particularly the abundant supply of unskilled workers, and decrease the use of imported resources.

(vii) Diagnose the causes of excess capacity in many of the country's plants, and take appropriate measures (both direct and indirect) to improve the utilization of capacity.

(viii) Implement the plan effectively, by doubling the total value added, to $280 million a year by 1965, and the gross production to $700 million, through the investment of $515 million as gross fixed capital.

7. The above objectives will be attained through the following instruments of industrial development policy.

1. Financial Inducements for Investment

8. The policy of providing financial inducements for domestic and foreign investment in industrial enterprises will be continued. The level of inducements for investment, and the criteria for granting the inducements, will be reviewed and made known within Ethiopia and abroad, in the form of a revised Investment Law.

9. The revised Investment Law will be administered by the Investment Committee which will open an Investment Promotion Office in the Ministry of Commerce and Industry. This office will provide services to potential and existing investors in the manufacturing industry, agriculture, mining, transport and tourist enterprises, and will introduce them to the services available from other government agencies. The Investment Committee will publicize, within Ethiopia and abroad, investment opportunities, inducements for investment, and investment regulations. Procedures will be established for expediting the processing of requests, by potential investors, for information, for inducements, and for licenses.

10. The financial inducements offered under the Investment Law, e.g., income tax relief and import duty relief, will be applied in the future only to "preferred" industries which qualify under the following criteria.

11. Preferred industries will make a particular contribution to one or more of the objectives of the plan, that is, increase exports, meet internal demand with a minimum of imports, support agricultural and mineral development, assist new urban industrial growth centres (see Chapter XX), stimulate the development of other industries or sectors, or maximize the employment of indigenous human or physical resources. The justification for preferred status for certain industries will decrease as the market demand has been filled or as private investment is found not to require inducements.

2. Government Investment in Industry

12. During the Third Five Year Plan, the Ministry of Commerce and Industry will take the initiative in: (i) indentifying, in consultation with the Technical Agency and other relevant government departments, manufacturing enterprises for which government investment is justified; (ii) assuming responsibility for the preparation of

project plans; and (iii) preparing requests for budget allocations. All enterprises for which government investment has been justified in the following three categories will meet the objectives of the plan, will indicate viability, and will be established and or assisted as described below:

(a) Basic manufacturing enterprises which are particularly important to the overall growth of the economy, and to the ability of the industrial sector to meet the objectives of the plan. Once budget allocations have been approved, these enterprises will be established as public share companies under autonomous boards. The members, appointed because of their experience and ability, will be expected to contribute to the efficient management of the enterprise, and thereby best serve the interests of the Government. When the enterprises begin to operate profitably, all or some of the shares will be offered to the public through the appropriate financial institutions.

(b) Commercial manufacturing enterprises, essentially of the type that attract private investment, are also considered particularly important for the growth of the conomy, and for the ability of the industrial sector to meet the objectives of the plan. If, within a reasonable period. private investment is not forthcoming for these indentified enterprises, government entrepreneurship and finance may be employed for their development. The investment of government funds in *commercial maunfacturing enterprises*, through loans or equity participation with or without private partners, will be undertaken by an appropriately orgainzed financial intermediary, using funds obrained on the initiatie of the Ministry of Commerce and Industry. The Ministry will be represented on the board of directors of the financial intermediary.

(c) Small factory manufacturing enterprises which face initial growth problems, and which, by providing seed beds for the development of Ethiopian enterpreneurship and management,

justify government investment. Similarly, the investment of government funds in *small factory manufacturing enterprises*, generally through loans, will be undertaken by a credit institution using, in part, funds obtained on the initiative of the Ministry of Commerce and Industry. Again the Ministry will participate in management through representation on the board of the credit institution.

3. Tariff Protection

13. The level of tariff protection given will be designed to promote greater competitive efficiency in production, relative to international cost and price levels; and at the same time giving the protec tion level necessary for infant industries. The protection is to be given for a specified period only and should, as a general principle, steadily decrease over the period. Tariff schedules, therefore, will be subject to periodic review and adjustment. Tariff schedule changes will be made expeditiously and in such a manner as to impose a minimum of inconvenience on industrial enterprises.

4. Tax Structure

14. The internal tax structure for industrial enterprises will be reviewed and rationalized, in regard to the level of protection, financial inducements, and the tax structure applying to other sectors affording alternate investment opportunities.

5. Export Industry

15. As an inducement for investment in export industries, and in order to increase exports from established companies, a repayment of the import duties paid on raw materials and components incorporated into products exported, will be allowed. Other induce-

ments to encourage exports will also be considered.

6. Government Procurement

16. Government procurement will encourage domestic manufacturing to tender. A price preference will be given to domestic products, by those government agencies having duty free import privileges, up to the difference between the tariff, transaction and excise taxes applying to the imported, and to the domestic products.

7. Development of Other Sectors

17. Special attention will be given to economic interactions between manufacturing industry and other sectors, particularly artisan industry, agriculture, and mining. The Ministry of Commerce and Industry will encourage the establishment of institutions which will benefit industry. In co-operation with other ministries, infrastructure will be improved to the extent necessary for the planned rate of industrial growth.

8. Services for Industry

18. The inducements offered to potential investors will be accompanied by a variety of financial and technical services, especially to small factory manufacturing enterprises. The availability of these services will improve not only the environment for investment but also the financial return once the investment has been made. The emphasis of development policy during the third plan will be placed on "services". Financial inducements are essential to initiate industrial development; services are important for the continued growth of a dynamic industrial sector. Through the following induce-

ments and services, the Government will assist the growth and enhance the dynamism of industrial development. The Government recognizes that the efficient and equitable adminstration of laws and regulations relating to industrial development is equally as important in attracting investment as the level of financial inducements and services offered.

(a) Financial services through existing institutions will be strengthened and made more responsive to the needs of industry. New financial services will be established to meet the special requirements of small factories and artisan workshops Provisionally a sum of $25 million has been included in the third plan for hire-purchase equipment, and for operating capital loans.

(b) Industrial land will be acquired, will be developed, and will be made available at reasonable cost, through government initiative, for sale or lease in metropolitan Addis Ababa and in the new urban growth centres. Buildings, when required, may be made available on lease terms. Plans for the industrial use of land will be integrated into urban design plans including all land uses. The acquisition and development of land for industry will become a new responsibility of an autonomous government agency, whose specific organization, powers and procedures for implementation of these objectives will be studied and established early in the plan period. During the third plan a sum of $20 million will be made available for this purpose.

(c) Techno-economic services will be extended to cover all industries and products. Economic information and consulting services will be established.

(d) Management training services will be designed to bring new and qualified Ethiopian personnel into manufacturing industry, and to increase the productivity of capital and of labour.

(e) Industrial extension services will introduce appropriate technologies, assist the utilization of financial, techno-economic and management services, and carry services to industry located in the new urban growth centres.

(f) Product standards will be established, facilities for testing will be expanded, and an inspection service will be offered to industry.

9. Equalizing Opportunity for Small Enterprises

19. The policy of the Imperial Ethiopian Government is to encourage the development of industrial enterprises without favour to or discrimination against large or small companies, as long as they are viable, maximize the use of indigenous resources, and bring benefits to the national economy. Ethiopian nationals entering manufacturing industry for the time will be given special encouragement.

10. New Urban growth Centres

20. Industrial development policy will be integrated with the Government's policy for regional development and for assistance to new urban growth centres. The policy of giving inducements and services to industrial enterprises will be so directed as to encourage development in the areas designated as new urban growth centres.

C. Production Targets and Input Requirements for the Third Plan

1. Production Targets

21. Gross production of manufacturing enterprises will double during the third plan, giving an average annual increase of approximately 15%. The targets are as follows. (Value added has been estimated at 40% of gross production for all products manufactured)

Year	Gross production ($million)	Value added ($ million)
1960	350	140
1965	700	280

22. A market study estimating the demand for the most important products by 1965 indicates that the total projected gross production of $700 million could be exceeded by approximately 10% Thus, a reasonable cushion exists between the production which might be possible and the production rate established as the third plan target.

23. During 1960, the manufacturing sector contributed an estimated $5.90 to the *per capita* gross domestic product. By 1965, this figure is expected to reach about $10.60—an increase of 80% over 1960.

24. The pattern of industrialization of Ethiopia is expected to undergo a change during the third plan period. Steel and metal products, leather and shoes, and chemicals will record large increases in production and emerge as major industries. Electrical industries will make a good start and substantially meet consumer demand for many products.

25. Industrial growth during the third plan period will, on the one hand, enable Ethiopia to meet its requirements for industrial goods, to the maximum extent practical, and, on the other, to build a base for further industrialization, particularly for the establishment of technologically advanced manufacturing projects in the fields of steel and metals, chemicals, and electricals. Textiles and food processing industries will continue to occupy the top positions, because of their importance as suppliers of priority consumer goods, and as users of locally available raw materials. The importance to agriculture and agro-industries during the third plan will accelerate the growth of these industries.

2. Export of Industrial Products

26. Export will increase rapidly during the third plan and should assuming that financial and management problems are solved and as follows (in $ million):

Year	Export of industrial products
1960	23
1965	60

27. Meat and meat products will be the main items of export assuming that financial and management problems are solved and that the supply of cattle is adequate. The second group with a relatively high export share will be the leather and shoe industry, assuming that plans to increase capacities of tanneries and shoe factories are implemented.

3. Investment Requirements for Manufacturing Industry

28. The anticipated total gross fixed capital investment required during the Third Five Year Plan to achieve the gross output of $700 million for 1965 is estimated at $515 million (excluding the cost of land). The attainment of this investment target will require

the maximum possible mobilization of production factors through modifications in the policy for industrial development, described previously. A significantly higher capital productivity has been projected for the third plan than was attained during the second plan.

29. $350 million, or approximately two-thirds of the gross fixed capital requirement of $515 million, will have to be imported. The total financial requirements, including land and additions to working capital, come to an estimated $610 million for the third plan. These are summarized in the following table:-

Third Plan Estimated Total Financial Requirements by Type of Investment

(**$ million**)

Item	In foreign currency	In local currency	Total
Gross Fixed Capital Investment			
(a) Machinery and equipment, including vehicles, transport engineering, and installation	335	35	370
(b) Building construction, land improvements, utilities, and civil engineering	12	103	115
(c) Others—surveying, prospecting, studies, financial fees, start-up expenses, planning, promoting, training, etc.	3	27	30
Sub-total:	350	165	515
Purchase of land	—	10	10
Working capital additions	20	65	85
Total financial requirements	370	240	610

30. Of the gross fixed capital requirements for the third plan approximately 23% (or $120 million) will be for the replacement of existing machinery and equipment, that is, for the maintenance of the capital stock. The remainder will be invested for the expansion of capacity in existing or new enterprises.

31. The assumption has been made that unimproved land will be contributed from public and private sources. The additions to the working capital supply will come to approximately $45 million from commercial banking institutions and short-term suppliers credit. Approximately $40 million will be supplied by industrial enterprises, in addition to their contribution to gross fixed capital. Of the total, an estimated $20 million will have to be in foreign currencies.

4. Sources of Investment for Manufacturing Industry

32. The estimated gross fixed capital requirement of $515 million will be supplied from private sources, from the earnings on the Government's previous investments in public and joint-venture companies, and from the Government budget. The sources have been indicated in more detail in the table on the next page.

33. The Imperial Ethiopian Government's public sector investment programme for the third plan period includes expansion of existing projects, new projects under execution, new projects for which credits have been obtained or are in an advanced stage of negotiation, new projects on which feasibility or techno-economic studies have been completed or are being considered, plus joint ventures with private or other public investors. The important projects which may be undertaken in the public sector are presented on page 232.

Third Plan Estimate of the Sources of Gross Fixed Capital Investment[1] *($million)*

Sources	Foreign sources	Local sources	Total
Private Sources			
(Private sector and private share of joint enterprises)			
Re-invested earnings of existing companies	20[2]	45	65
New private investment	30	30	60
Long-term suppliers' credit	80	—	80
Sub - total	130	75	205
IEG Budget Plus Other Public Sources			
Capital budget allocations to financial intermediaries, including the sums required for hire-purchase loans, land development, etc.	—	40	40
Direct investment, including capital budget allocations, foreign loans and equity investments	90	30	120
Re-invested earnings of existing public companies[3]	—	40	40
Long-term suppliers' credit obtained by public companies	50	—	50
Financial intermediaries through earnings, domestic capital mobilization and foreign loans	50	10	60
Sub - total	190	120	310
Grand total	320	195	515

---

[1] This table estimates the sources of the gross fixed capital, not the end use, that is, whether into a public or private enterprise.

[2] Repatriated capital and dividends re-invested in Ethiopia.

[3] The re-investments by joint venture companies have been apportioned in the ratio of the private to the Government investment. This sum includes any funds which may be paid to the Ministry of Finance and then received for expansion projects under a budget allocation.

Third Plan Tentative List of Public Investments in Projects or Expansions

Project	$ thousands
Food	
Meat	4,000
Sugar	7,500
Beverages (bottling mineral water)	3,000
Tobacco	250
Textiles and apparel	10,000
Leather and shoes	38,000
Wood and wood products	3,300
Printing and publishing	1,000
Chemicals group	
Oil refinery	4,000
Vehicle tyres	14,500
Matches	500
Medicaments	400
Paper and paper products	2,700
Non - metallic mineral products	
Glass	4,500
Cement	25,000
Asbestos, cement pipes, etc.	800
Hydrated lime, gypsum, etc.	500
Utility and sanitary ceramics	8,500
Metal and electrical products	
Metal hand tools	2,000
Total	130,450

5. Investment Requirements by Industry Group

34. The gross fixed capital investment for each industry group has been estimated from the production targets for the group. The

details of the production targets and the estimated investment requirements are presented in the following table:

Production Targets and Estimated Gross Fixed Capital Investment Requirements by Industry Group ($million)

	Estimated Increase in Production			Gross Fixed Capital Investment		
	1960 Production	1965 Production	Percent increase	Replacement	New Investment	Total
Food	89.0	140.0	57	35.4	61.0	96.4
Beverages	46.0	63.0	37	11.5	16.4	27.9
Tobacco	7.5	12.0	60	0.3	0.3	0.6
Textiles and apparel	94.0	180.0	91	33.0	82.0	115.0
Leather and shoes	12.0	45.0	275	4.4	55.7	60.1
Wood and wood products	10.5	20.0	90	2.0	8.1	10.1
Paper and paper products	—	12.6	—	—	11.5	11.5
Printing and publishing	6.0	10.5	75	4.0	2.8	6.8
Chemical group						
Chemicals, petroleum and rubber	31.0	67.4	118	16.7	43.6	60.3
Plastics	1.8	3.0	67	0.5	2.3	2.8
Non-metalic mineral products						
Glass	3.0	6.0	100	1.3	7.6	8.9
Ceramics and cement	17.0	32.5	91	7.0	54.0	61.0
Metal and electrical products						
Metal products	31.0	100	222	3.8	43.6	47.4
Electrical products	0.6	6.0	900	—	5.3	5.3
Others	0.6	2.0	233	0.1	0.8	0.9
Total:	350.0	700.0	100	120.0	395.0	515.0

6. Import of Raw Materials

35. The third plan production targets have taken into account the need to save foreign exchange through the maximum use of locally available raw materials. The result will be a significant reduction in the ratio of imported to domestic raw materials for the third plan relative to the Second Plan. However, with rapidly expanding production, the annual imports of industrial raw materials and

intermediate products for manufacturing industry will increase and will reach a total of $650 million, at domestic market prices, for the entire five year period. The C.I.F. value will therefore be lower.

36. For certain industry groups, the use of locally available raw materials will be substantially increased, particularly in textiles, leather and shoe, printing and publishing, and ceramics industries. The imported raw material component, however, will continue to be high in steel and metals, and electrical and plastics industries.

7. Electric Power Requirements

37. The third paln production targets indicate that manufacturing industry establishments will add approximately 95 megawatts to the connected load on the various power systems or to the generating capacity of individual establishments. (The additional generating capacity requirement will be less than the demand indicated by the connected load).

8. Employment

38. The estimated production targets require that the industrial labour force grows by approximately 52,000 during the third Plan, exclusive of replacements. The total employment for selected years of the plan period has been estmated as follows:

Year	Estimated Employment in Manufacturing Industry
1958	46,500[1]
1960	57,900
1961	66,000
1965	110,000

---

[1] Excludes agricultural workers in the sugar estates which came to an estimated 8 700 in 1958.

39. The increase in labour productivity for the manufacturing sector during the third plan is estimated at approximately 1% annually. However, the target for certain individual enterprises has been established at an annual increase of 2%. The overall increase is lower, since during the third plan a relatively large number of small enterprises will be established with lower production rates per worker than the average obtained during the previous plan period.

40. The total estimated requirement of workers, exclusive of replacements, has been divided approximately into four skill groups as presented in the following table:

Industrial Labour Force Estimated
Net Annual Requirements by Skill Groups[1]

Year	Administrative, technical and clerical staff		Production Workers		Total
	Managerial	Office personnel and others	Skilled personnel and semi-skilled	Unskilled	
1961	100	470	3,680	3,850	8,100
1962	110	530	4,000	4,360	9,000
1963	130	600	4,500	4,770	10,000
1964	160	700	5,200	5,440	11,500
1965	200	800	6,120	6,380	13,500
Total	700	3,100	23,500	24,800	52,100

---

[1] In terms of the classification used in Chapter V and elsewhere in the plan the equivalent requirements would be 700 Class A, 5,150 Class B, 12,000 Class C and 34,250 semi-skilled and unskilled workers.

41. The anticipated increase in employment for each industry group is shown in the following table:

Third Plan Estimated Industrial Employment by Year and Industry Group

Industry Group	1960	1965
Food	20,000	23,375
Beverages	2,800	3,815
Tobacco	1,500	1,680
Textiles and apparel	19,600	34,100
Leather and shoes	2,500	16,500
Wood and wood products	2,600	3,190
Paper and paper products	—	3,080
Printing and publishing	1,500	3,160
Chemicals group		
Chemicals, petroleum, rubber and plastics	2,400	3,390
Non-metallic mineral products		
Glass	—[1]	2,085
Ceramics and cement	3,800	9,860
Metal and electrical products		
Metal products	1,200	4,500
Electrical products	—	1,090
Others	—	175
Total	57,900	110,000

---

[1] Included under chemicals.

D. Industrial Development: Organizational Measures

42. The industrial development policy adopted for the Third Five Year Plan requires a number of new government activities for effective implementation.

1. Industry Department

43. The Industry Department of the Ministry of Commerce and Industry will be strengthened in preparation for larger responsibilities. The responsibilities will include:

(i) Designating industries or regions for which preferred status for financial inducements is justified;

(ii) Designating industrial enterprises for which government investment is desirable, and taking responsibility for their establishment;

(iii) Recommending tariff and tax schedules which will facilitate the growth of manufacturing industry;

(iv) Collecting information, anticipating industrial development problems, and taking the appropriate actions.

44. In carrying out the above responsibilities, the Ministry of Commerce and Industry will consult with, and obtain the assistance of, the Technical Agency and other specialized agencies of the Government.

2. Investment Committee

45. The Investment Committee will establish an office to facilitate investment, domestic and foreign, in manufacturing industry,

agriculture, mining, transport, and tourist enterprises. The Committee will be strengthened through the establishment of a secretariat. The secretariat will also serve the Investment Committee's Office.

3. Financial Organizations

46. One or more of the existing financial intermediaries will be re - organized to the extent necessary to provide loans, under a purchase plan, for mechanical equipment, and for operating capital for the smaller enterprises, factories, and artisan workshops.

4. Centre for Ethiopian Management and Industrial Services

47. Steps will be taken to establish a new Centre for Ethiopian Management and Industrial Services by combining the present Centre for Ethiopian Management and the Centre for Industrial Services proposed by the Ministry of Commerce and Industry. The services offered will be designed for the needs of the small industrial enterprises. The services, however, will be available to all enterprises eventually in all parts of the Empire. Before the end of the third plan period, the Centre for Ethiopian Management and Industrial Services will have established branch offices.

5. Technical Agency

48. The Technical Agency, with responsibility to a number of sectors, will give particular attention to the needs of manufacturing industry during the third plan. Assistance will be given to the Industry Department of the Ministry of Commerce and Industry, to the Centre for Ethiopian Management and Industrial Services, and other agencies of the Government. Industrial enterprises, large and small, private or public , will also be able to receive a growing

variety of services. A library will be established, a technical information service operated, and a programme of publishing periodic technical journals initiated. The more specific activities undertaken by the Technical Agency will be as follows:

(a) periodic diagnosis of Ethiopian industry to provide the background material required before considering more specific studies.

(b) indentification of industrial projects justifying further study through an analysis of raw material supplies, markets, manufacturing costs, etc., in relation to the development of the entire industrial economy.

(c) preparation of pre-feasibility studies for industries or for particular industrial projects, terms of reference for feasibility studies, and, upon request, the preparation or supervision of detailed economic and engineering feasibility studies.

(d) evaluation of industrial studies prepared by other agencies or consultants plus assistance to such groups for the preparation of improved studies.

(e) assistance to industrial investors in the obtaining of competent management personnel; and also in negotiating for various engineering contracts, in cases where optimum implementation is essential for the conversion of a study into an efficiently operating manufacturing enterprise.

6. Institute for Standards and Quality Control

49. The Ministry of Commerce and Industry will establish and operate an Institute for Standards and Quality Control in co-opera-

tion with other ministries and agencies. The Institute will gradually adapt standards to Ethiopian conditions and will assist industrial and agricultural enterprises in improving the reliability, and in standardizing the quality, of their products.

Chapter XII

Handicrafts and Cottage Industries

A. Introduction

1. Handicrafts and cottage industries are establishments in which small-scale manufacturing is carried on primarily for the market, with or without the use of power. Such industries are usually located in households or small workshops, and depend mostly on own or family labour. Manual skills rather than machines play the preponderant role in these establishments. Major examples are hand-spinning and weaving, the small-scale production of carpets and rugs, ropes and twine, leather, shoes and other leather products tailoring, carpentry, and jewellery. Services and repairs associated with these and similar activities also fall within this category.[1]

B. The Second Five Year Plan Period

2. The Second Five Year Plan envisaged the creation of favourable conditions for handicrafts and cottage industries by encouraging projects which could supply to this sector raw materials such as yarn, leather iron sheets, bands and wire, clay, cement, etc., and this was achieved to a fair degree. The availability of raw materials helped the handicrafts and cottage industries to increase their output during the second plan period.

3. The Central Statistical Office has recently made an estimate (see table below -)[2] for handicrafts and cottage industries, as well as for some small-scale industries for which data have not been included in the chapter on manufecturing industry. On this basis,

---

[1] Building and construction workers, barbers, laudries, etc. are not included uner handicraft and cottage industries.

[2] The estimates include coffee and grain cleaning, and small flour mills which are otherwise classified as small-scale industries.

the gross value of output increased from $146.1 million in 1953/54 to $212 million in 1960 and employment from 238,600 to 337,000 in the same period. Over the period 1954-59 the GDP originating in this sector increased by more than 6.5% per year.

C. Objectives of the Third Five Year Plan

4. During the third plan the Government will adopt measures to implement the following specific objectives:

(a) to improve productivity by introducing and making available modern and appropriate tools and equipment, and by improving skills through training and technical advice;

(b) to assist in the marketing of products domestically and abroad;

(c) to encourage linkages between these industries and the more modern and larger industrial establishments, for their mutual benefit;

(d) to promote decentralized growth of modern handicrafts and cottage industries in urban centres and in villages;

(e) to assist artisans and craftsmen in the organization of industrial co-operatives for their common benefit;

(f) to provide, in a package form, credit, equipment, technical know-how, and other types of assistance to prospective entrepreneurs in order to expedite growth in this sector; and

(g) to assist this sector to increase gross production from $212 million in 1960 to $277 million in 1965 through fixed capital investment of $50 million. In terms of GDP this will mean an increase from $148 million in 1960 to $194 million in 1965 or 5.5% per year.

Estimates[1] for handicrafts and small-scale industries

	Gross Production		Values added to GDP		Employment	
	1953-54	1957-58	1953-54	1957-58	1953-54	1957-58
	$ million		$ million		(in 000's)	
Coffee and grain cleaning[2]	4.07	5.69	3.06	4.62	5.5	10.7
Small flour mills[2]	16.03	25.63	11.55	17.42	8.5	13.9
"Shama" cloth	59.00	83.60	31.50	54.20	155.0	225.0
Tailoring	49.64	52.40	47.15	48.44	45.0	45.0
Small shoemakers	3.46	3.42	1.20	1.12	5.7	5.6
Small carpentry shops	1.66	2.80	0.83	1.40	1.9	3.1
Others	12.24	12.24	6.12	6.12	17.0	17.0
Total	146.1	185.8	101.4	133.3	238.6	320.3

[1] These estimates are not comparable with those given in the Second Five Year Plan due to change in coverage and in method of estimation.

[2] Considered as small-scale industry.

D. Government Expenditure for this Sector

5. During the Third Plan period the Government will undertake projects which will directly increase production in handicrafts and cottage industries, and will adopt measures to encourage the establishment of more such industries. In addition, the artisans will share the facilities to be provided to factory industry under the hire-purchase and industrial land development programmes. The projects to be undertaken are the following:

(a) *Loans.* The Government will place funds of about $4 million at the disposal of development finance institutions for loans to handicrafts and cottage industies for purchasing tools, capital equipment, land and building, and for providing capital to industrial co-operatives. It will also issue a proclamation and regulations for administering these loans. The object is to provide funds to persons interested in entering industrial pursuits and to enable the existing establishments to improve their technological status by acquiring improved equipment.

(b) *Organization of co-operatives.* The Government will initiate schemes for organizing some of the artisans engaged in handicrafts and cottage industries into industrial co-operative societies,[1] to improve their production techniques and business status, including their credit worthiness. In order to assist the establishment of industrial co-operatives, the Ministries of Commerce and Industry and National Community Development and Social Affairs will provide initial managerial assistance. An expenditure of $0.5 million will be necessary for this purpose during the third plan period. The Ministries of Commerce and Industry and National Community Development and Social Affairs will issue model constitutions and bye-laws for industrial cooperatives.

(c) *Cluster training centres.* In order to improve the skills of the artisans in rural areas, a number of cluster training centres will be organized in different regions of the country. The training will be designed to suit the local conditions and will cover vocations like carpentry, metal work, hand-weaving, leather-tanning, and village-pottery. A provision of $1 million has been made for expenditure on such centres. These centres will not only help to improve the skills presently used in handicrafts and cottage establishments but also to develop interest in the rural population for industrial activities. The existing handicraft school in Addis Ababa will also be strengthened and reorganized so that it can better serve the training needs of artisans. This institution will also demonstrate the use of improved tools and equipment to artisans. A provision of $0.5 million has been made for this purpose.

(d) *Production-cum-demonstration centres.* The Government will set up production-cum-demonstration centres to introduce the manufacture of new products in different regions of the country. Such centres for intorducing vegetable tanning, improved hand-looms, power-looms, woollen blanket-making, etc., are an immediate necessity. During the third plan period capital investment of $1 million on these centres will be necessary.

---

[1] Uner Proclamation No. 241 of 1959.

(e) *Design development centre.* The Ministry of Commerce and Industry will set up a design development centre to help the artisans in adopting new designs which may help them in marketing their products and realizing better prices. During the third plan period this centre will undertake design research on products like furniture, household items, hand-looms, etc. Capital expenditure of $0.5 million and current expenditure of $0.5 million will be provided for these centres.

(f) *Marketing assistance.* In order to popularize the products of handicrafts and cottage industries, the Ministry of Commerce and Industry will set up a marketing organization which will need a capital investment of $1 million. This organization will organize sales depots and market emporia at suitable places to help in the marketing and popularizing of the products of handicrafts and cottage industries.

E. Organizational Support

6. The Division of small factory and artisan industry of the Ministry of Commerce and Industry will take the initiative in establishing various schemes required for the transformation and development of handicrafts and cottage industries during the third plan. The Division will be strengthened for this purpose. It will also establish field offices in provincial capitals and important growth centres; a mobile staff will help artisans to improve their techniques of production and organisation. Close co-operation will be maintained with the appropriate ministries and agencies such as the Ministries of National Community Development and Social Affairs, Education Interior, etc., in order to make maximum use of the present field staff. The economic and technical studies of the Technical Agency will also be utilized wherever appropriate. A section will be established within this Division to carry on economic studies for the different handicrafts and cottage industries. This section will also investigate the potential for handicrafts and cottage industry

development in selected areas of the country. It will provide information to prospective entrepreneurs about industial possibilities and help them in preparing plans for the selected industries. A provision of $1.0 million will be required to maintain this section during the third plan. The services rendered would be of the nature of surveying, prospecting and preparation of project reports.

Government Expenditure on Handicrafts and Cottage Industries During the TFYP

Scheme	Budgetary Expenditures Capital Investm. from Govt. sources	Current Expenditure
Loans to industria units and to industrial co-operatives	4.0[1]	—
Organizational assistance to co-operatives	—	0.5
Cluster Training Centres and strengthening of the handicraft school	—	1.5
Design development centre	0.5	0.5
Production-cum-demonstration centres	1.0	—
Marketing assistance	1.0	—
Economic information and technical assistance	—	1.0
Total	6.5	3.5

[1] Of which $1.5 million is for industrial co-operatives.

F. Production Targets and their Implications

7. During the second plan period, the gross output of handicrafts and cottage industries increased by $55 million, yielding a growth rate of 6.5% per year. For the Third Five Year Plan, an increase in gross output by $65 million, or a growth rate of 5.5% per year is projected. The lower growth rate for the third plan period is due to the higher starting base as well as due to a larger impact of factory production in the country.

8. Employment in this sector is not expected to increase as fast as output owing to improvement in methods of production, changes in the pattern of products manufactured and increased efficiency of artisans through training, demonstration and use of better equipment. The increase in employment during the third plan period is therefore projected at approximately 44,000, or at the rate of 3% per year.

Third Plan Estimates of Production, Value Added and Employment

($million)

Fiscal year	Gross Production	Value[1] Added	Employment (000)
1960	212	148	337
1961	223	156	347
1962	236	165	358
1963	249	174	369
1964	262	184	380
1965	277	194	391

9. In 1960 handicrafts and cottage industries contributed an

---

[1] Value added has been estimated by the Central Statistical Office as 70% of gross production.

estimated $6.20 to *per capital* income. By 1965 this would increase to approximately $7.40 — an increase of almost 20% over 1960.

10. The total gross fixed capital investment required during the third plan period to achieve the gross output of $277 million in 1965 in handicrafts and cottage industries is estimated at $50 million, out of which $20 million will be in foreign currency. The total financial requirements, including land ($0.5 million) and working capital ($14.5 million), come to an estimated $65 million for the third plan.

11. Financing of the above investment will be derived primarily from private sources. It will be supplemented from government budget allocations for projects as given in the following table.

Third plan estimates of supply of gross fixed capital investment by sources of finance

	($. million)
Private sources	43.5
Central government sources	6.5
Total	50.0

12. In addition, the Government will provide a further $3.5 million from its current expenditure for support to the development programmes in handicrafts and cottage industries.

13. During the plan period imports of tools, equipment and machines required by the establishments in this sector are estimated at $20 million. During the same period, raw material imports are also estimated at approximately $20 million, since a large variety of imported goods are used by this sector. Examples are high quality

yarn, dyes, iron and iron products, paints, varnishes, upholstery cloth, shoe tacks, nails, and other fittings for shoes and dresses.

14. Power requirements for handicrafts and cottage industries will be small; it will not be difficult for the electric power companies to meet these needs from the increase in the generating capacity already planned. Every endeavour will, in fact, be made to encourage establishments to use electric power where it is available.

Chapter XIII

Mining

A. The Second Five Year Plan and Actual Development

1. Among the chief goals in the development of mining the SFYP emphasized the enactment of appropriate mining legislation. The need for sustained mineral prospecting and exploration was re-emphasized inspite of earlier attempts to achieve modest targets. Furthermore, the necessity for relating and adhering to definite policies in mineral development, and in control of private sector mining, were also mentioned as major aims of the SFYP. It is not not surprising perhaps, that without a detailed and precise description in the SFYP of the means of implementing policies, performance was not comensurate with intentions.

2. In exploration, the targets set (in money terms) were in fact exceeded in many instances, but the programme lacked co-ordinated planning; as a result, the amounts did not reach the desired targets in terms of mineral discovery. The reason was that the necessary detailed studies were not carried out.

3. A main contributory factor was that the high hopes for large scale potash production during the SFYP were not realized, largely owing to unforeseen circumstances. Even though the developers of potash spent a substantial amount of funds, production was delayed because of technical and financial difficulties.

4. To sum up, therefore, the achievements of the SFYP period were not altogether disappointing especially when it is considered that the absence of a Geological Survey Department meant that the basic data needed by both the public and private sectors were not available; that the long-awaited potash production had not

materialized; that no proper means were devised to direct public funds into schemes and projects with high potential; and that the continued lack of legislation and the *ad hoc* nature of concession granting did little to contribute to a more inviting climate for productive private-enterprise mining developments.

B. Mining Policy and Legislation for the TFYP

5. The formulation of policies and programmes for mineral development in the period 1961-1965 has one main objective—maximum progress in a sector which has not yet begun to realize anything near its full potential in the nation's development. Certain policy decisions have therefore been taken to this end, and the Government intends to provide all the necessary inputs to carry out these policies, with the object of creating the proper conditions for rapid mineral development, wherever possible through reliance on the private sector.

(a) *Geological Survey.* In order to collect and disseminate the maximum amount of data on Ethiopia's mineral resources, actual and potential, the Geological Division of the Ministry of Mines will be expanded, starting in 1961, into an adequately manned and equipped Geological Survey Department. Priority will be given to coordination and assessment of existing data, and to the necessity of increasing the basic knowledge of the country's geology, by all available means, and by use of modern technology.

(b) *Mining Legislation* A Mining Code which is now in the final stage of preparation will be enacted early in the plan period. The Code will detail the rights enjoyed in and limitations to be imposed on, prospecting, exploration and mining activities, including such matters as employment, safety, etc. Concerning the issue of concessions, the Code will enable the Minister to enforce the Government's rights, if regulations are broken or developments not proceeded with; conversely, a concession holder complying with the Code may count on the full protection of the law for unhindered development of his area.

(c) *Incentives*. Existing incentives, particularly the Investment Proclamation (No. 242 of 1959), are being reviewed to determine whether they require alternation or expansion to make them more effective for, or more particularly relevant to, the attraction of mining enterprises. Wherever the potential economic benefit may justify special treatment for the degree of risk involved, this will be recognized.

(d) *Government Mining Activities*. It is intended that mining enterprises recently undertaken by the Ministry of Mines shall be transferred, as soon as possible, to an autonomous organization with its own management and funds. Concurrent with this transfer, the possibility of attracting private enterprise participation to these activities will be reviewed.

(e) *Mineral Resources Division*. Simultaneously with the transfer of government mining activities to a separate organization, the duties of the Mineral Resources Division of the Ministry of Mines will alter and expand in scope. Following the work of the Geological Survey, Department the Division will be concerned with brining mineral occurrences to the point where private enterprises are attracted, and are willing to exploit economic deposits in the way most beneficial to the nation and to themselves. This will require the preparation and evaluation of feasibility studies, negotiation and approval of leases, and general supervision of operations under the Mining Code.

(f) *Geological Mapping*. Sound geological coverage of the country is essential to efficient production. A priority task for the Geological Survey Department will be the production, either from its own resources or through the assistance of other agencies, of a series of geological maps on an orgainzed topographic base. A detailed geological investigation, based on photogeological interpretation from existing aerial photographs of the geology of Wollega and Sidamo, is being undertaken with the help of the United Nations Development Programme.

(g) *Training*. In order to increase the number of Ethiopians qualified to assist in developing their country's mineral resources, the Government will:

(i) provide increased enrolment facilities in the Geology Department at H.S.I. University;
(ii) provide professional training overseas for suitable candidates in mining engineering, and geology and related scientific studies;
(iii) specify that bilateral surveys and other foreign assistance projects provide opportunities for suitable Ethiopians to gain on-the-job training and experience;
(iv) require, under the Mining Code, that concession holders and lessees institute training facilities for employees of all grades.

C. Output Goals for the Third Five Year Plan

6. As can be seen in the Government's policy proposals, public sector activity in the TFYP will be mainly concentrated on surveys and exploration rather than on production. High priority is being given to an extensive programme of geological mapping, and to the exploration and investigation of known mineral occurrences, but is not possible to predict exact results from these activities. Discoveries of sufficient importance to warrant early exploitation may be made but, conversely, unexpected problems can delay progress. Therefore, output goals for the TFYP have, for the present been limited to existing projects of known potential.

7. The value of mineral production (including marine salt) increased from about $3.5 million to $6.4 million between 1955 and 1959; i.e. at the rate of about 16.3% per year. For the TFYP period, using realistic assessments based on current activities, the following values of annual production are expected:

Gross Value of Mineral Production
($ millions)

	1961	1962	1963	1964	1965
Gold	1.9	2.1	3.1	3.3	3.3
Common salt	4.4	4.4	7.4	7.4	7.4
Copper concentrates	-	-	1.4	1.4	1.4
Potash	-	-	-	-	45.0
Others	1.0	1.1	1.2	1.3	1.4
Total	7.3	7.6	13.1	13.4	58.5

8. As in the Second Five Year Plan, potash plays a key role in the projections; unless some production is achieved by 1965, as forecast, the estimates of output, not only for the mining sector, but for the whole economy will be significantly affected.

9. Shortly before publication of the TFYP, a new concession covering potash was granted to a large and experienced mining group—the area concerned is close to the main potash franchise and has many similar features. Under the agreement, all the results of the previous work have now been made available to the Government, and urgent and intensive efforts are being made to interest other potential investors in developing this important deposit. The target production figure of 750,000 tons for the last year of the plan was

considered quite possible, in terms of capacity and timing. But there is no doubt that the cessation of exploration at Dallol by the the private companies is a temporary set-back; even so, the importance to the whole economy of this commodity is such that the very highest priorities are being given to achieving the original programme targets. The projections have therefore been allowed to stand. A rough calculation indicates, however, that the effect on the economy, if no potash is produced by 1965, will be serious, both to levels of investment and to the balance of payments.

10. The export of mineral products is projected to increase from a level of about $2.7 million in 1960 to almost $50 million by the end of the TFYP. The details are shown in the following talble. The figures once again emphasize the potential importance of potash.

Exports of Mineral Production
($ millions)

	1961	1962	1963	1964	1965
Common salt	1.5	1.1	1.8	2.0	2.0
Non-monetary gold	1.2	1.2	1.2	1.2	1.2
Copper concentrates	-	-	1.4	1.4	1.4
Potash	-	-	-	-	45.0
Total	2.7	2.9	4.4	4.6	49.6

D. Required Inputs for the Development Programme

(a) *Capital investment*

11. *Exploration*. In the public sector, the emphasis during the TFYP will be on exploration and surveys, particularly concentrating on the

groundwork and economic studies necessary to bring about a rapid growth in production. Highest priorities in this programme will go to those studies likely to assist in early production of potash. In this respect, work has started, in co-operation with the private enterprise concession holders, on an investigation of the geothermal power potential associated with the potash deposits in the Danakil desert. The collaboration of EELPA and the Wter Resources Department will also be sought. Work will also be intensified on exploration of certain known occurrences, specifically of copper, nickel, gold and platinum; these activities will be well under way by the beginning of the plan period. Longer-term programmes will depend largely on the results of the geological survey work which has been initiated; the UNDP Survey, due to finish in 1963, is confidently expected to provide the basis for a detailed ground campaign in the Wollega/ Sidamo areas.

12. Private investment in exploration has been dominated in recent years by the search for petroleum and gas. This pattern is expected to continue, and there are hopeful indications that this expenditure may show results in the plan period.

13. *Mineral Production.* Planned expenditure on the establishment of new mines or expansion of existing ones is, with the exception of potash, on a modest scale. Some public investment in re-equipping and streamlining the Government gold and platinum operations is forecast, and increased capacities are planned at the privately owned salt mines. The investment required to bring about the proposed scale of potash production is, however, substantial; over $75 million is estimated as expenditure on mine buildings, plant and equipment alone, excluding the cost of transportation and port facilities which will undoubtedly be necessary.

14. *Total investment* The follwing table shows actual gross investment in the mining sector in 1955-1958 and estimated figures for 1961-1965. The amounts include both fixed investment and explora-

tion expenditure, since the major part of both past and future investment is accounted for by private sector exploration progtammes, for which only aggregate figures are available.

	Second Five Year Plan				Third Five Year Development Plan				
	Actual Annual Investment				Estimated Annual Investment[1]				
	1955	1956	1957	1958	1961	1962	1963	1964	1965
Prospecting, Surveys and Exploration	7.8	8.4	13.7	12.9	11.9	12.2	12.6	12.6	12.2
Mineral Development and Mining	1.2	0.6	10.9	0.5	8.8	12.6	50.4	45.6	0.5
Total Investment	9.0	9.0	14.6	13.4	20.7	24.8	63.0	58.2	12.7

[1] Includes estmated investments for potash transportation facilities.

(b) Financing of investment

15. (i) *Public sector.* It has already been made clear that public finance for mining will be devoted principally to creating conditions for a substantial growth of mineral production, mainly undertaken by private enterprises. This will be achieved through the geological survey programme and the activities of the Mineral Resources Division of the Ministry of Mines. Where government investment, alongside private enterprise, is considered appropriate in a mining project, such participation will normally be accomplished through a development finance intermediary.

(ii) *Private Sector.* It is abundantly evident that private investment is essential to achieve the mineral development goals of the TFYP; to encourage and attract such investment is the foundation of government policies and actions. Within the terms of the Mining Cod and other legilation, all appropriate assistance will afforded to those companies and individuals who can take the best advantage of the opportunities which will be offered. A constant review will be maintained of the conditions of investment so that, wherever possible, Ethiopia does not compare unfavourably with other countries in the attraction it offers to well-intentioned developers, both local and foreign.

(c) *Manpower Needs*

The projected growth of prospecting, exploration and mineral production will require an accelerated flow of skilled, semi-skilled and unskilled workers to the Sector during the plan period. By the end of 1965 an estimated 1850 high level, intermediate, and skilled workers, will be required in the mining industry, mainly in the newly producing enterprises rather than in the existing mines. The Government's proposals for training the workers required, and in particular the skilled workers who are expected to be in greater demand than has hitherto been the case, have been outlined in the policy statements at the beginning of this chapter.

E. Co-ordination and Organization in the Mining Sector

16. It has been clearly recognized that the Government's role in a successful mining sector is essentially two-fold—to adopt, proclaim and adhere to long-term policies, and to undertake basic work programmes in the field of surveys, legislation and training. By these means, the utmost encouragement can be offered to private enterprise to develop that part of the sector which is not primarily the Government's concern, namely the production and marketing of minerals.

17. The policies outlined in the plan are designed to achieve these objectives, and to emphasize much more strongly the co-ordinating and supervisory nature of the responsibilities of the Ministry of Mines. The Mining Code and its regulations will underline parti-

cularly the role of the Minister of Mines in the co-ordination of all aspects of mineral development, whether surveys, research, land rights, financial incentives, manpower, etc.

18. Starting in 1961, an annual programme is being adopted in which objectives, tasks and short-term policies, will be formulated in some detail, and against which performance will be regularly and systematically reviewed.

19. It is apparent that important changes in the activities of the Ministry of Mines are envisaged in the TFYP period. The consequent need for reorganization is already recognized and, in certain respects, is being implemented. By the end of 1961, it is proposed that the transfer of gold and platinum mining operations to an enterprise independent of (although responsible to) the Ministry will have been substantially completed. The greatly increased need for geological data and maps has already resulted in a large expansion in the numbers of professional geologists and mining engineers recruited to the Ministry; and funds are available for the building up of the necessary stocks of equipment and supplies to support them. Mining legislation is in draft, and plans are being prepared to provide the Ministry and, where necessary, provincial offices, with qualified inspectors able to carry out and supervise the provisions of the Code. In the field of finance, concessions and incentives, efforts are being co-ordinated with other departments to provide conditions which will attract experienced and capable private developers.

20. Lack of appropriate guidelines, and inadequacy of organization, were at least partly responsible, with other factors, for the results of past years; the Government intends to see to it that, as far as possible, the future development of the nation's mineral resources will not be hampered by circumstances which it is within its power to alter.

Chapter XIV

Electric Power

1. The importance of electric power development for the economic development of Ethiopia is fully recognized in the present plan, as it was in the Second Five Year Plan. Electric power is an important prerequisite for the process of industrialization. In providing an essential service to private consumers, it also plays an important role in increasing the standard of living of the population, including increasingly the rural farm people.

A. The Second Five Year Plan and Recent Developments

2. The SFYP set out goals for the installation of new capacity and for the generation of electric power, which were reasonable. It provided for an increase of installed generating capacity of about 53 thousand kW and of electric power generation by 204 million kWh, representing respectively rates of growth of 11% and 18.6% over the period. In essential respects, the targets were realized. The table below summarizes the development. Electricity generated rose

Output & Value of Services, 1954-1959

	SFYP		Actual results		
Item	Target 1959	Rate of growth (54-59)%	1954	1959	Rate of growth (54-59)%
Installed generating capacity (000 kW)	...	...	7.3	151	15.6
Value of electric power generated ($ million)	28.3	18.4	13.3	26.2	14.5
Electric power generation (mill. kWh)	355	18.6	151	316	15.9
Electric power consumption (mill. kWh)[1]	290	17.2	131	272	15.8
Industrial & Commercial	208	20.4	82	176	16.5
Households & Public lighting	82	10.8	49	96	14.4

[1] Includes industrial firms' own generation.

approximately 15.9% annually from 1954 to 1959, generally satisfying the needs of the developing economy with a small margin of reserve capacity. It is necessary to pint out, however, that this reasonably comfortable position would not have arisen, if the development of industry and mining had in fact kept pace with the programmes set forth in the second plan.

3. It can be seen that the industrial and commercial consumption of electric power rose by 16.5% annually during the second plan accounting by 1959 for 176 million kWh. Demand for residential lighting and public (mainly municipal) lighting rose by 14.6% annually. About 44 million kWh, or 14% of the total power generated in 1959, appears to have been absorbed in internal consumption of the power plants themselves and in generating and transmission line losses.

4. In regard to the investment programme itself, actual investments were approximately 80% higher than planned, as is shown in the following table. Particularly in the case of EELPA, this was mainly dut the fact that the plan figures were based on provisional estimates of project costs, which were drastically revised when detailed estimates became available shortly after the publishing of the SFYP document. The programme is largely dominated by a single public authority corporation, namely the Ethiopian Electric Light and Power Authority (EELPA). With well designed programmes and specific projects, and with the help of foreign loans, the investment plans were designed and executed in a properly phased manner and essentially on schedule. EELPA's total investment programme amounted to $87.3 million. The major projects of Awash II and Tis Abbai hydro-electric plants were brought into operation, and construction work was started on the Awash III project. In the case of Societe Elettric dell'Africa Oriental (SEDAO), the major supplier of electricity in Eritrea, the main project was the installation of a 15,000 kW steam plant at Belesa.

Investment and Its Financing, 1955-1959
(Millions)

	SFYP 55-59 target	Actual results 55-59	Actual as percent of plan
Investment			
EELPA	48.3	87.3	181
SEDAO	3.0	16.5	550
Other	6.5	—	-
Total	57.8	103.8	180
Financing			
Domestic	31.4	50.0	159
Own funds of companies	30.0	41.3	138
Bank loans (SEDAO)	-	8.7	-
Budget	1.4	-	-
External	26.4	53.8	204
Loans - EELPA	–	49.8	-
Loans - SEDAO	–	4.0	-

5. The pattern of financing consisted largely of the ploughing back of funds generated in the operations of the power companies themselves, supplemented by $8.7 million of domestic loans. The other component of financing, to cover the foreign exchange cost of the investment programmes, was represented by foreign loans to EELPA in the amount of $49.8 million; and to SEDAO $4 million.

6. In the service area of EELPA the tariff policy and structure of the company have been designed to promote the effective consumption of power by offering low tariffs for the block use of power by

large-scale industrial and commercial consumers, and at the same time by giving a fair rate to residential consumers. In Eritrea, by contrast, the average levels as well as structure of power rates have been such as to penalize consumers in that area relative to the rest of Ethiopia.

7. In regard to its essential manpower and training needs, EELPA has instituted a well designed training programme which has given markedly successful results in training necessary skills and increasing the efficiency of personnel.

B. Policy Guidelines for the TFYP

8. The fundamental objective of power development continues to be that of supplying, with sufficient anticipation, the necessary electric power required by the growth of the economy. The plan is designed to ensure that power capacity keeps just ahead of current demand, in view of the long gestation period required for building power plants. One of the main objectives is to support sound industrial development with firm power supply at reasonable prices, that are at the same time viable for the power company. There is the need, also, to contribute to a rising standard of living for the population by providing sufficient electricity for domestic needs at reasonable tariffs, with particular attention to the gradual extension of services to new urban areas, and also to key rural areas. A constant effort to improve technology and management has the purpose of reducing cost, in order to permit the financing of necessary expansion and improvement. The eventual integration of EELPA and SEDAO service areas into a national grid remains a possible objective.

9. The Government and the power companies are determined to provide the nation with the electric power it needs at fair rates both to consumers and to the companies. The main objective is to assure both to industrial and commercial consumers, as well as residential consumers, a reliable supply of electricity on a quality basis—i.e.

stable line voltages, etc.—at tariff rates which are reasonably stable and do not represent an excessive share of either the total costs of production for business firms or the cost of living for household consumers.

10. It is the Government's policy to keep the service areas of the power companies under constant survey and study. The growth of market demand is the main factor in planning the expansion of productive capacity. Anticipating these needs properly requires studies of the potential sites for, and appropriate size of, new plants to be brought into use. Thus, for example, with the Finchaa site now being developed by EELPA, and expected to meet the growth of power demand well beyond the period of the TFYP, the government is already committed to the anticipatory study of alternative hydro-electric power sites, as well as of the possibilities of geothermal power; this is necessary in order to select the right plant at the right place, for the expansion that will be required in the next plan period.

C. Capacity and Production Goals for the TFYP

11. Demand for electric power is expected to grow from 346 million kWh to 735 kWh million between 1960 and 1965 (see the following table). This would represent a rate of growth of 16.3% annually, accelerating slightly the growth curve of the preceding period. Industrial and commercial demand is projected at the higher rate of 17.1% annually, while residential and other lighting requirements are expected to grow at about 14.4% yearly. As a result, it is foreseen that the total production of electricity in Ethiopia should increase from an estimated 398 million kWh in 1960 to about 852 million kWh by the end of 1965.

12. The total value of electricity sales at market prices is projected to reach $61 million by 1965—108% above the 1960 estimated level

and representing a growth of 15.8% annually. Of the total power produced in 1965, 519 million kWh would be consumed by industrial and commercial firms and 216 million kWh by households, municipal lighting systems and the like, while the remaining 117 million kWh would represent internal consumption of the power plants themselves and of generating and transmission line losses.

13. In order to supply the demand indicated above, it is clear that the installed capacity of the power system will have to grow considerably. At present the country's total generating capacity is about 184 thousand kW. Over the Third Five Year Plan period, the addition of about 141 thousand kW is foreseen, so that by the end of 1965 Ethiopia's total installed generating capacity would reach about 325 thousand kW. Of the additional generating capacity to be installed during the third plan period more than 77% would be hydro, and the rest thermal.

14. In the interconnected system, one big power plant is planned. This is the Finchaa hydro-electric project which is expected to be put into operation by mid-1964, with an initial installed capacity of 100 thousand kW and an annual production capability of around 500 million kWh. In the self contained systems, the existing power plants will be expanded by the addition of more than 23 thousand kW. The opening of 17 new self contained systems in new urban areas will add another 4 thousand kW. SEDAO is expected to expand its existing generating capacity by 15,000 kW by completing the remaining stages of the thermal plant at Belesa.

D. Development Expenditures and Required Inputs

15. A considerable capital investment programme is required for the realization of the programme just outlined. Particularly EELPA, but also SEDAO, will engage in heavy investments both for generating plants as well as transmission and distribution systems. The table below summarizes the scope of the investment programme in-

volved. It can be seen that for the five-year period 1961-65 a grand total of $120 million would be required. Of this total EELPA alone will account for $107.5 million, 89%. The remainder will be on account of SEDAO.

Electric Power Activity Targets

	1960	1961	1965	% increase 1960-65
Generating capacity (000 kW)	184.2	189.1	325.3	76.6
EELPA	145.6	150.5	271.7	86.6
SEDAO	23.1	23.1	38.1	64.9
Other	15.5	15.5	15.5	-
Volume of power Produced (million kWh)	398	455	852	114.1
EELPA	272	323	651	139.3
SEDAO	71	80	131	84.5
Others	55	52	70	27.3
Volume of power sold (million kWh)[1]	346	395	735	112.0
Industrial and commer.	236	268	519	120.0
Household & Municipal lighting	110	127	216	95.8
Value of electricity sold (million kWh)	29.4	34.3	61.4	108.6

[1] Includes industrial firms' own generation.

16. The single most important element of the investment programme for EELPA is the Finchaa hydro-electric project and its related facilities and works. This alone requires for its completion $75.3 million, of which about $72.3 million or 96%, are expected to be

realized during the TFYP. Of the total investment programme for electric power, probably about 24% represents the costs in terms of domestic materials and labour required. The remainder of the cost, or 7%, requires the import of materials, machinery and equipment, vehicles, etc., representing necessary foreign exchange costs.

Investment Programme and Its Financing

	Investment 1961-65	
	Total amount $. million	Percent
Total capital investment	120.0	100.0
EELPA	107.5	89.6
SEDAO	12.5	10.4
Financing of investment	120.0	100.0
Domestic resources	57.0	47.5
Own funds EELPA	49.5	41.2
SEDAO	5.0	4.2
Internal loans	2.5	2.1
External resources	63.0	52.5
Loans & Credits: EELPA	58.0	48.3
SEDAO	5.0	4.2

17. The financing programme is adjusted largely to these considerations. The domestic costs are to be borne essentially out of domestic financing, the largest part of which is to come from the net earnings of EELPA and SEDAO ploughed back into their investment programmes. About $63 million of financing required to cover the

import components is expected to come from long term external loans and credits. Of this sum, about $58 million is already assured.

18. The large recurrent costs necessary to run and maintain the power generating and transmission and distribution systems of Ethiopia are of course costs to be fully met out of the operating revenues of the companies. This function has been quite adequately carried out in the past and there is every reason to look forward with assurance to the next few years as well.

19. The electricity sector at present employs some 2,000 persons. By the end of 1965 this number is expected to go up to 3,330 which means that around 1,330 additional workers will be required during the period covered by the Third Five Year Plan. Of the additional numbers to be employed in this period, 1,130 are required by EELPA, and 200 by SEDAO. It is expected that the electric power companies will be able to meet their essential manpower needs. In particular, EELPA's training centre, with appropriate modifications of its syllabus, is expected to cover most of the requirements for intermediate levels of skill, especially for mechanical and electrical technicians.

E. Organizational Aspects

20. The most important organizational question facing the power industry during the TFYP is the effective integration of EELPA and SEDAO. Various technical problems with regards to the frequency would need to be solved before the power grids could be effectively amalgamated. There are also complex policy problems that lie ahead, in connection with the integration of the systems, concerning proper national tariff policy and the efficient financial management of the companies.

Chapter XV

Transport and Communications

Introduction

1. The sector of transport and communications offers fundamental services to all other branches of the economy. The infrastructural investments are extremely costly, in view of their capital intensity, and generally require long periods of time for their completion. It is, therefore, an important aim of development planning and programming to ensure that the necessary transport and communications capacities and services shall be available in the required volume and at the right time. However, because transport projects are costly and expensive, it is equally important to undertake a careful appraisal of investments in them, as they can easily deprive the economy of more important, and perhaps higher return, alternative investments.

2. This underlines the most critical need of all, especially in the sub-sector of transportation. The need is, first, to ensure effective integration and co-ordination of programming and expenditure, between the transport and communications sector and the other sectors of the economy, particularly the productive ones. Equally, there is need for co-ordination within the sector itself, among the different modes of transport, in order to ensure that the best and most economical methods are used for carrying out a particular service. The task is not simple; for Ethiopia, as for other countries, it requires the best possible analysis and programming, as well as a series of organizational measures and important policy decisions. It is the aim of the TFYP to ensure that a sound, practical and efficient approach be applied to the transport programming and co-ordination tasks in the years ahead.

A. The SFYP Targets and Actual Developments During 1955-59

3. The SFYP had set high growth targets, both for the increase in the volume of transportation and communications services to be provided for an expanding economy, and for the volume of investment and development expenditure required to achieve them. The gross value of services rendered by transport was programmed to increase more than 50% in real terms over the five-year period, i.e. at an annual growth rate of 8.5%. The largest increase (65% or 10.4% *per annum*) was projected for road transport (inter-urban and urban), and the lowest for railways (13% or 2.5% *per annum*). Freight traffic, particularly over the highways, was to increase faster than passenger traffic.

4. Actual implementation of the plan shows that the total value of services for the entire sector reached a level of almost $265 million in 1959, 15% above the target. However, the composition of the sectoral activity did not turn out as projected. In the sub-sector of transport the gross value of services was 13% more than expected. For road transport, passenger traffic grew faster, and freight traffic slower, than expected. Both for highway and railroad traffic the average distance of haul tended to increase. For air and maritime transport the growth of services was far greater than the plan projections, but was less for railroad services and negative for inland waterways. Total communications activity was much higher than foreseen, showing an increase in value of services of 47% above the plan target for 1959. But this concealed a far higher growth rate for telecommunications than planned and a lower rate for postal services. The following table shows the planned and actual increase of the gross value of services during the Second Five Year Plan period.

Gross Value of Services

millions $

	SFYP			Actual results[1]		Index:
	1954 Actual	1959 Target	Annual growth rate 54-59 %	1959 Actual	Annual growth rate 54-59 %	1959 Actual 1959 target
Total transport	142.7	216.0	8.6	244.7	11.4	113
Road transport[2]	86.0	141.1	10.4	149.5	11.7	106
Railway transport	16.5	18.6	2.4	17.9	1.6	96
Air transport	29.5	41.3	7.0	57.6	14.3	139
Water transport	10.7	15.0	7.0	19.0	13.0	131
Total Communications	8.6	12.9	8.5	18.9	17.0	147
Postal services	2.0	3.2	9.9	3.0	8.5	94
Telecommunications	6.6	9.7	8.0	15.0	19.2	164
Total transport and communications	151.3	228.9	8.6	263.6	11.7	115

1) Revised figures, current prices.

2) Including city transport.

5. As a result of developments during the SFYP period, the contribution of transport and communications to the monetary GDP of the country rose from 6.1% in 1954 to 7.2% in 1959. By far the biggest share of this was derived from highway transport, followed by air transport.

6. In terms of investment in the sector, the SFYP foresaw the need for a total of $316 million. This represented about 20% of the monetary investment projected in the plan for the whole economy. Over 90% of the total was for the sub-sector of transport, of which more than half was for road construction and road transport. The share of communications was estimated at about 10%.

7. With the plan period now terminated, it is evident that actual investment in the sector has far surpassed the total amount foreseen in the plan: it absorbed about 25% of the total monetary invest-

ment of the country. Expenditure (including land purchase) reached the sum of almost $400 million, 26% above the target. To this should be added local investment in kind for rural roads estimated at $14 million.

8. The picture of what has actually happened is, however, even more divergent from the plan when each branch of activity is examined separately. Road construction outlays were 7% less than their target, while the mileage of new roads actually constructed was under-implemented by 40%. It is obvious that the average cost of roads per kilometre constructed was far higher than had been estimated in the plan. Further, the primary road programme in terms of kilometres was implemented by less than 77%, whereas all lower cateogries of roads were completed to the extent of about 39%. By contrast, the actual investment in commercial motor vehicles of all types was approximately three times greater than had been planned. This was partly due to an under-estimation of actual needs, and partly to excessive imports of vehicles — notably trucks and taxis.

9. For railroad transport, almost all of the investment, which exceeded plan estimates by 31%, was spent on the purchase of equipment and rolling stock, although traffic was less than anticipated. In the case of air transport, the targets of the plan with respect to airport facilities, especially for international traffic, as well as for aircraft equipment, were properly met, although at a total cost 36% higher than anticipated, mainly because of increased airport construction costs. On the other hand, domestic air transport did not develop as much as expected. As far as water transport is concerned, an Ethiopian shipping line was created, more or less accordint to plan objectives, but the investment cost turned out to be 60% higher than originally estimated. Not much was done for the improvement of port facilities, and adequate attention was not given to the national development of inland water transport.

10. In the sub-sector of communications, postal services obtained about 5% less funds for capital expenditure than had been planned, while most of the available money (96%) went to the building of a new head post office, leaving only 4% of the funds for the expansion of postal facilities in the provinces. On the other hand, investment in thelcommunications exceeded plan projections by 19%, although its composition was not completely in accordance with the plan.

11. The sources of finance for the transport and communications programmes reveal that about 53% of the total funds required came from domestic sources. This was a healthy and encouraging development as the plan had foreseen only 43% from domestic finance. Most of this money ($138 million) represents the ploughing back of own funds on the part of transport and communications agencies and enterprises. About one third of this was directly in the form of foreign currency. The share contributed by the Ethiopian Government capital budget was $63 million, or approximately 16% of the total investment in the sector.

12. The distribution of investment in transport and communications, as it was planned and actually effected, during the SFYP period is shown in the table below.

B. Policy Orientation for Transport and Communications in TFYP

13. Transport policy must be based far more explicitly on the central role of transport in providing infrastructural services to the entire economy. Only to a limited extent can transport facilities be conceived of as an independent growth sector. Essentially, transport must adapt itself for the support of the requirements of the productive sectors of the economy. Investment policy for the TFYP will therefore insist, far more than in the past, on the integration of transport projects with those of the production sectors, and thus

and enterprises. About one-third of this was directly in the form of and commerce. This approach will also be followed in regard to the standards and costs of the projects, as well as to the appropriate timing of transportation investment.

Investment Distribution in Transport and Communications Provided in the 1955-1959 *Plan and Actually Effected*[1]
(Thousands of $)

Type of Service	Planned	Actual	Index Plan = 100
Transport	284.9	363.5	128
1. Road transport	155.6	179.8	116
(a) Construction (I H A)	140.1	130.1	93
(b) Motor vehicles	15.5	49.7	321
2. City transport[2]	6.0	8.4	140
3. Railway transport	10.0	13.1	131
4. Air transport	89.1	121.8	136
5. Water transport	24.2	40.4	167
Communications	31.5	36.4	116
6. Postal services	5.0	4.8	95
7. Telecommunications	26.5	31.6	119
Total: Transport and Communications	316.4	399.9	126

1. Including land acquisition (planned $11.9 million; actual $2.7 million, of which $1.6 million was for postal services and $1.1 million for telecommunications), but not including local investment in kind for rural roads, estimated at $14 million.
2. Buses for Addis Ababa and taxis for the whole country.

14. Transport policy will be based on a rational conception of, and appropriate machinery for, effective transport co-ordination. This means a definition of the role to be played in the economy by each mode of transport. To a great extent, this depends on the volume and kinds of freight and passenger traffic to be moved, on the dis-

tances involved, on the concentration or diffusion of production and consumption centres, and on the particular conditions prevailling at the time, etc. Attention will be given to the complementary nature, as well as competitiveness, between alternative modes of transportation. Development outlays and tariff policies will be adopted in the light of this analysis of the role of different transport media. Only in this way can a reasonably efficient and rational allocation of investment resources, as well as an economic operation of the country's transport facilities, be assured.

15. In the period of the TFYP the building of costly premature roads will be avoided. Effort will be given, rather, to a network of modestly designed secondary, feeder and service-to-traffic roads. Particular attention will thus be given to a comprehensive and integrated highway and road network, serving the entire country, and its various productive regions. In this respect, provision is made for a nation-wide survey of the country's road system, aiming at the drawing up of a long-term highway plan. It is the policy of the TFYP to stimulate, assist, and utilize, local initiative side by side with the activities of the Imperial Highway Authority, with the object of expediting the expansion of the road network, particularly of feeder roads. Voluntary local road construction activities will be encouraged. Special attention will be given to the organization of voluntary bodies, particularly in their relation to the I.H.A. Similar attention will be given to the expansion of assistance, already being provided by the defence establishment in the actual construction of transport facilities. Finally, emphasis will be placed on proper maintenance and administration of the system, including strict control of over-loaded vehicles, excessive speeds, and other detrimental activities. In regard to road transport operation, the policy will be to bring about greater discipline and efficiency, in commercial passenger and freight carriage, by effective control and supervision, as well as by provision of incentives for better organization of operators. As for railway transport, no expansion of existing lines is anticipated during the TFYP period. It is intended to im-

prove and modernize the existing railways, and to raise their standards of management — both financial and administrative.

16. In the case of air transport, emphasis will be placed on the development of internal air services, to serve tourist and business locations, and to open up relatively remote areas not adequately served by other means of transport. The programme will include runways for appropriate aircraft to meet the freight and passenger needs of such areas. At the same time, policy will be concerned with the improvement of the international air services offered by Ethiopia, including the provision of modern navigation and landing facilities in the international airports at Addis Ababa and Asmera. Studies will be made for the purpose of determining airport landing fees and other charges, at levels which will permit international airport services to develop on a self-supporting basis.

17. With regard to water transportation, the policy will be directed towards a sizeable improvement in handling capacity, and in efficiency of operations at the ports of Asseb and Mitsiwa. Effective administration of these facilities, which undoubtedly require considerable improvement in organization and management, will be sought early in the plan period. Similarly, policy will be directed towards improving the operating conditions of the Ethiopian Shipping Lines, so that this enterprise may take a growing share of the country's expanding external trade, and become a financially sound and successful venture. In inland water transport, policy is to improve and extend existing infrastructural facilities, after study of the waterways system, and to reorganize such transport on sound economic criteria, in co-operation with private operators.

18. In communications, it is intended to begin a rapid expansion of postal services throughout the country, and to introduce a postal savings system; in telecommunications, a further expansion and modernization of telephone, radio and telex facilities will be effected, especially for inter-urban and international communications.

C. Organizational and Institutional Aspects

19. The success of the development programme depends on the efficiency of the organizations and institutions which carry it out. A key need in this respect is to bring together the administration of transportation and communications activities under a common organization. A start towards this objective has already been made in connection with the formulation of this plan; this must be carried forward firmly into the implementation phase.

20. Plan execution will necessitate a complete integration of the agencies charged with the responsibility for transport and communications. In fact, the need may arise for reorganizing existing institutions as well as for creating new ones. The pressing need is for effective co-ordination of transport programmes at the national and regional levels. The establishment of the Road Transport Board, for which legislation has been passed, will greatly help the effective development of road transport, but it will have to be co-ordinated with the development and operation of other means of transport.

21. The Government will also create an inter-agency Transport and Communications Co-ordinating Committee — organized and led by the Ministry of Communications. This will include the heads of all the departments of the Ministry of Communications, as well as representatives of the Ministry of Interior, the Ministry of Planning and Development and such other directly concerned agencies as the Imperial Highway Authority, Road Transport Authority, Ethiopian Airlines, Ethiopian Shipping Lines, and Imperial Board of Telecommunications. All other ministries and agencies, directly affected by or concerned with the transport and communications sector, will also be represented on the Committee. They will include the Ministries of Agriculture, Commerce and Industry, and National Defence, to name the main ones. The Committee will be served by a technical and research secretariat, combining elements of the Ministry of Communications' programming unit and the

Ministry of Planning's sector personnel. This body will be charged with the initation and review of transportation and communications policy, for submission to the Government for decision.

22. The Transport and Communications Co-ordinating Committee will co-operate with the various public transport agencies, for the formulation of policies and regulations for the operation of transport and communications, including matters of rates and tariff, safety, loading standards on highways, licensing, and other aspects. It would also co-ordinate the development programmes of the different agencies operation in this sector.

23. The Government will push forward studies for the reorganization and co-ordination of activities in this sector. The IHA will go ahead with its own reorganization, and with the strengthening of its provincial services as soon as possible, along the lines already proposed. The possibility of creating a Civil Aviation Authority (CAA) as an autonomous and self-supporting agency, will be pressed forward. The Marine Department will in future be designated "Marine and Inland Waterways Department" and be strengthened in order to discharge its responsibilities effectively (including the enforcement of the Maritime Code). The creation of an autonomous Port Authority, concerned with the functioning of well-managed ports at Asseb and Mitsiwa, will be given high priority. To promote efficient administration and expansion of the country's inland waterways systems, consideration will be given to the establishment of an autonomous public agency. The reorganization and modernization of postal administration, including the establishment of a postal savings system, will also be given attention.

D. The Required Inputs to Obtain the Targets

24. To reach the transport and communications targets of the TFYP, a large amount of funds, especially in the form of capital investment, will clearly be required. It should be appreciated that

both the construction of infrastructural facilities, and the purchase of transport machinery and equipment, are extremely expensive. Such investment in the sector is expected to cover approximately 22% of the entire capital outlay — public and private — foreseen for the TFYP period.

25. It would be a mistake to think that only capital outlays are required for attaining the goals of the plan. Substantial sums will have to be allocated for the necessary recurrent expenditures, covering both the maintenance of transport and communications, and the operation of the various types of vehicles and equipment. Furthermore, large numbers of skilled professional and technical manpower, as well as trained service personnel, will be required to construct, install, operate, and maintain transport and communications facilities and services. The necessary training is long and costly, especially in the case of air transport and telecommunications. but if the investment provided in the TFYP is to bring results, adequate provision will have to be made for this purpose.

Capital investment programme

26. In terms of capital investment, the TFYP requires for this sector approximately $670 million (including $15 million of investment in kind). This is needed for: (i) the provision of infrastructural facilities, such as roads and highways (including bridges), maritime and inland ports, airports, buildings and other fixed installations; (ii) the purchase of commercial transport vehicles, such as trucks, buses, railroad rolling stock and equipment, aircraft, ships, as well as of all relevant equipment and complementary facilities; and (iii) the opening of new post offices and the expansion of telecommunications with up-to-date installations.

27. It should be noted that, in the capital investment programme of the transport sector, purchases of private passenger cars and office vehicles used by government and other organizations are not in-

cluded. Also, passenger and freight vehicles operated by individual enterprises of each sector, such as mining, manufacturing and large-scale agriculture. as well as commercial and trading enterprises, are not included in the estimated capital outlays of the transport sector, but are charged to the particular field of activity concerned. Many of these enterprises not only purchase and use their own vehicle fleets, but in some cases they also invest in "captive" transport facilities, such as ports and harbours, roads or even rail lines. The investment represented in such facilities and vehicles is also considered as part of the investment attributed directly to the sectors, and not to transport.

Road construction

28. *Imperial Highway Authority*. Investment in road construction and related works, by the Imperial Highway Authority, is expected to cover 42% of the total expenditure on transport, and 37% of the total capital outlay of the sector, or in money terms, $250 million. This amount does not include investment in kind (labour and materials) by local authorities, which is estimated at a further $15 million for the plan period.

29. In particular, the TFYP provides for the construction, by IHA, of 5,050 kms of roads, of which 695 kms are to be primary, 395 kms secondary, 1,520 kms feeder and 2,440 kms service-to-traffic roads. The latter category comprises roads mostly for dry-weather operation only. These figures do not include rural roads of a purely local character, expected to be built during the TFYP period by contributions in kind; they are estimated to amount to approximately 700 kms. In addition to the above construction works, IHA is expected to complete, during the same period of time, the asphalting of about 575 kms of roads, the installation of over 120 bailey bridges at strategic land transport points throughout the country, as well as the survey and design of at least 2,500 kms of feeder roads. Finally, IHA will conduct, with the help of external assistance, a

survey of the nation's road development requirements, to be completed during the first year of the plan period, leading to the preparation of a comprehensive highway plan.

30. *Transport services.* The TFYP foresees the investment of about $153 million in road vehicles for inter-urban commercial transportation, and $12 million for city passenger transport vehicles, necessary for the renewal and increase of existing stoack, to meet the growing needs of the economy. These represent almost 28% of the expenditure on transport and 25% of the total capital outlay of the sector. For railway transport, the purchase of new locomotives, railcars and wagons, mainly for the modernization of existing equipment, and the improvement of certain sections of line in both railway systems (Franco Ethiopian Railway and Eritrean Railway) are included in the plan at an estimated cost of about $16 million, or 2.5% of the extension of the Eritrean Railway to the Sudanese border.

31. For air transport, investment in airports and related facilities, both for international and domestic services, is expected to be over $40 million. Investment in airports is mainly for the improvement and modernization of international airports, the development of domestic airports, and the provision of new air navigation facilities. The capital outlay for aircraft and related equipment is estimated at approximately $75 million which will be used for completion of the present jet aircraft programme of Ethiopian Airlines, for their international operations, and for the partial replacement of the existing short-range aircraft by modern equipment, for domestic air services. The share of air transport is estimated at over 19% of the total capital outlay in transport alone, and 17% of that of the transport and communications sector as a whole.

32. For water transport, the total estimated investment of about $29 million, or slightly over 4% of the total sectoral expenditure, is for the improvement and increase of sea-port facilities (appro-

ximately $14 million); the acquisition of two more ocean-going vessels by Ethiopian Shipping Lines (estimated to cost $5 million); the possible establishment of a ship-repair yard (estimated at about $7 million); and finally, the development of inland waterways (for which over $2 million has been estimated). The total also covers a series of studies planned for the sea-ports and the inland waterways of the country.

33. *Communications.* With regard to the sub-sector of communications, the TFYP provides for the investment of $78 million, or about 12% of the total capital outlay in the transport and communications sector. Of this sum, slightly over $4 million is to be spent on postal services, and $74 million on telecommunications. In regard to postal services, investment will include the completion of the new head post office, the construction of 40 new post offices, and the purchase of 8 mobile post offices. The plan also includes the opening of 150 new postal agencies throughout the Empire, so that by the end of 1965 the number of post offices and agencies will be almost tripled. A study will examine how all postal services may be improved.

34. As for telecommunications, the TFYP provides for the opening of 174 more telephone offices and 6 radio stations in the provinces, as well as for the installation of 720 new teleprinters for domestic and international communication. Telephone facilities will absorb $47 million, of which $23 million is for urban connections, and $24 million for inter-urban. New lines will be laid and automatic telephone communication will be established between Addis Ababa and some of the most important cities. Also, additional radio, telegraph, telex and other equipment, as well as motor vehicles, will be purchased, and new buildings will be constructed to meet the fast growing needs of telecommunications.

Sources of finance

35. To finance the foregoing investment programmes it is expected that over 60% of the total capital outlay, or about $408 million, will come from domestic sources. In particular, it is expected that out of this amount $163 million (or 40%), will come from the central Government budget; about $8 million from domestic bank credits; $212 million from own funds of public agencies and private enterprises; and $25 million from local community contributions in money and in kind. The remaining $262 million required by the sector are to be met from external sources. In particular, it is expected that over 80% (or $212 million) will be provided in the form of public foreign loans, and the balance from suppliers' credits to the private sector.

36. It is noteworthy that the external financing of some major projects exceeds their estimated import cost element, particularly in the case of highways and airports. Thus, it is expected that external financing sources will share some of the local procurement and construction costs of the investment programmes of the sector. The plan foresees such local cost-sharing, from external sources, as amounting to some $30 million, or about 11% of the total domestic costs.

37. With regard to the distribution of finance between public and private, it is foreseen that about $505 million, or 75% of the total capital outlay, will necessitate public investment. This includes the central Government and autonomous public agencies, and also contributions by local authorities. The remaining 25%, or $165 million, represents the investment outlay of private enterprises, particularly those operating truck, bus and taxi services, as shown in the following table.

Distribution Of Investment Between Public and private Sources
($ millions)

	Total Investment	Public	Private	Percent Public
Total Transport and Communications	669.0	504.7[1]	165.0	75.4
Transportation total	591.4	426.4	165.0	72.1
Roads and road transport	431.2	273.5	157.7	63.4
(a) Road construction	265.4	265.4[2]	-	100.0
(b) Motor vehicles (inter-urban)	153.5	0.8	152.7	-
(c) City transport	12.3	7.7	5.0	40.6
Rail transport	16.4	16.4	-	100.0
Ports and water transport	28.8	21.5	7.3	74.7
Airports and air transport	115.0	115.0	-	100.0
Communications total	78.3	78.3	—	100.0
Postal Services	4.3	4.3	-	100.0
Telecommunications	74.0	74.0		100.0

1. Includes working capital and some transfers.
2. Local contributions in money and in kind, estimated at $25 million, are here considered as public investments.

Recurrent Operating and Maintenance Expenditures

38. The levels of annual recurrent outlays that will be required from the Government budget for the operation and maintenance of transport and communications activity can be only roughly estimated. The table on page 286 brings out the highlights of such

estimates for each of the major modes of transport as well as for the postal services, which come under the Government's recurrent budget. It is clear that very large sums will be required and these will have to be carefully budgeted in each year's programme. Also, the table shows the expenditure required for the maintenance of the road network (the responsibility of the IHA) as well as for the upkeep of airports.

Manpower

39. Manpower requirements can be only tentatively estimated at this time. The number of people employed in the sector is expected to rise from approximately 31,800 in 1959 to over 44,000 in 1965, of which about 89% will be in transport and 11% in communications. It is clear that a considerable number of engineers of all types, and other highly skilled presonnel, will be needed both for the construction and maintenance, as well as for the operation, of transport and communications facilities. In air transport, for instance, the efficient and safe operation of airports and route navigation facilities will increasingly call upon the services of highly skilled professional and technical personnel. These include electronic engineers, rated air traffic controllers, air-worthiness surveyors, licensing officers, meteorologists, and many others who operate and maintain the complex navigational approach and landing facilities needed for safe navigation. Similarly, road building and operation will call for additional numbers of specialized personnel. The expansion of port operations, and other maritime activities, will call for an appreciable number of technical and managerial skills. Telecommunications, also will require many professional and technical officers as well as large numbers of skilled and semi-skilled workers, who must be recruited and trained during the plan period. The plan envisaged for the sector includes a number of training programmes, most of which will be carried out by the training schools of such agencies as the Imperial Highway Authorty, Ethiopian Airlines, Civil Aviation Administration, and Imperial

Levels of Recurrent Expenditures
(In thousands of $)

	1960	1961	1965	Rate of increase in % 1960-65
Ministry of Public Works				
(a) IHA	24,830	43,600[1]	34,600	6.8
Ministry of Communications	5,970	6,026	5,500	—
(a) Head Office	—	103[2]	300	—
(b) Land Transport	590	493	—[3]	—
(c) Marine Depart.	2,170	2,230	1,360[4]	—
(d) CAA	3,210	3,200	3,840	3.7
Ministry of P.T.&T.	2,240	2,500	3,660	10.3
(a) Postal Services	2,240	2,500	3,660	10.3
Total, Transport & Comm.	33,040	52.126	43,760	5.8

Levels of Expenditure for Road Maintenance and upkeep of airports

IHA	19,110	37,360	27,000	7.2
CAA	2,260	2,260	2,700	3.6

---

[1] Includes road maintenance equipment (15 million) to be acquired through a foreign loan.

[2] Budget for head office separated in 1961 due to the establishment of the Road Transport Administration with indpendent Budget.

[3] Budget discontinued as the duties of the Land Transport Department are taken over by the Road Transport Administration.

[4] Budget reduced, as from 1962, because of the organization of the ports under autonomous administrations.

Board of Telecommunications. A study will also be made of the possible establishment of a merchant marine training school. However, it would be a serious error to underestimate the difficulties encountered in developing these supplies of skilled manpower, which in the cases of highest level personnel may not be fully covered without resort to foreign resources. The training and continued employment of these highly critical manpower resources will absorb the largest share of the annual recurrent expenditures referred to above.

E. Services of the Sector

40. The total activity of the sector, as measured by the gross value of services (G.V.S.), is expected to rise much faster than total G.D.P. For 1959-65, the average rate of increase for transport and communications is projected at 10% per year, so that in 1965 the level of total activity in real terms is expected to be about $466 million, or almost 77% above the 1959 level. On this basis, the contribution of the sector of transport and communications to the monetary GDP should be about 7.6% in 1965, compared with 7.1% in 1959, whereas the corresponding percentages in relation to total GDP are 3.8% and 4.8% respectively.

41. The composition of the "output", or activity of the sector, is summarized in the following two tables. There, it can be seen that the fastest growth of G.V.S., among the different branches of activity, is expected to be in air transportation, projected at 13.3% *per annum*. The expansion of domestic air services both for passengers and freight will contribute substantially to this result. Road transport, including inter-urban truck, bus and other commercial transportation, is expected to be the next most dynamic element in transport, with an estimated growth of G.V.S. of 9.5% per year. With regard to the volume of services rendered by the various modes of transport, the greater portion of freight and

passengers carried is expected to be over road and highway transport.

42. In communications, rapid expansion is expected in telecommunications, the gross value of which is to increase at the rate of over 11% *per annum*. This will be mainly due to the rapid growth of telephone communication and telex services, both in the domestic as well as the international field. Inter-urban telephone services will be greatly increased, especially through the automatic connections of the main cities, and centres of economic activity. Postal services will also expand markedly, so that their gross value will be expected to increase at an average rate of 9% *per annum*.

43. The following two tables show respectively the anticipated development of the sector's G.V.S. by branch of of activity, and the volume of traffic during the TFYP period.

Gross value of Transport and Communications Services in 1959 *and anticipated growth until* 1965[1]

Sector	$ Millions of 1959	1961	1965	Growth 1959 - 65 Index	Rate
I. *Transport*	244.7	285.9	430.6	176.0	9.9
1. Road transport	130.7	146.6	225.2	172.3	9.5
2. City transport	18.8	23.8	30.0	160.0	8.1
3. Railway transport	17.9	18.3	21.4	119.5	3.0
4. Air transport	57.6	75.2	122.0	211.8	13.3
5. Water transport	19.7	22.0	32.0	162.4	8.4
II. *Communications*	18.9	24.1	35.3	186.8	11.0
6. Postal services	3.0	3.6	5.0	166.7	8.9
7. Telecommunications	15.9	20.5	30.3	190.0	11.3
Total Transport and Communications	263.6	310.0	465.9	176.7	10.0

1) Some of the figures are based on rough traffic estimates, particularly in the case of road transport and of postal services. There is need to improve the collection of statistics in this area, and the TFYP period should see more and better data collection by the IHA, the Road Transport Administration and the other relevant organisations.

Volmue of Transport Activity and Anticipated Development during the TFYP period[1]

No.	Type of traffic	1959	1965	1959 - 1965		1959	1965	1959 - 1965	
		(In thousands)		Index	Rate	(In millions)		Index	Rate
I.	*Passenger*	*Number of Passengers*				*Passenger/kilometres*			
1.	Road transport	20,000	35,000	175	9.8	1,500	3,200	213	13.5
2.	Railway transport	818	975	119	3.0	101	116	115	2.3
3.	Air transport	—	—	—	—	—	—	—	—
	(airport traffic)	260	620	239	15.6	—	—	—	—
	Ethiopian Air Lines	208	500	240	15.7	272	800	294	19.7
4.	Water transport	—	—	—	—	—	—	—	—
	(sea-ports)	11	30	268	17.8				
II.	*Freight*	*Number of tons*				*Ton/kilometres*			
1.	Road transport	4,600	8,200	178	10.1	1,490	2,600	174	9.7
2.	Railways	564	660	117	2.7	237	292	123	3.6
3.	Air transport	—	—	—	—	—	—	—	—
	(airport traffic)	9	21	226	14.5	—	—	—	—
	Ethiopian Air Lines	8	18	225	14.5	11	32	299	20.1
4.	Water transport total[2]	982	1,800	183	10.6	—	—	—	—
	Asseb and Mitsiwa	—	—	—	—	—	—	—	—
	dry cargo	508	700	138	5.5	—	—	—	—
	Ethiopian Shipping Lines	79	150	190	11.3	—	—	—	—
	Inland waterways[3]	3	—	—	—	—	—	—	—

---

[1] Commercial traffic only.

[2] Including imports of petroleum products and esports of salt.

[3] No appreciable changes are foreseen.

Chapter XVI

Education

1. In the final analysis economic and social development rest upon the coverage and quality of the educational system. It is through education that a society reaches the fulfilment of individual capacity and values. It is only through education that the necessary preparation for productive participation in the economic process can be obtained. It is thus clear that from every point of view education is an absolute priority for the Third Five Year Plan, just as it was for the second. Indeed, it will always remain a paramount objective of Ethiopian development.

SFYP Goals and Actual Development 1955-59

2. The second plan placed heavy stress on the rapid expansion, improved quality, and relevance, of technical and vocational training especially at the secondary and university levels. The increases in the output of skilled manpower at all levels was a primary objective. Stress was thus put on increased enrolment in primary and general secondary schools, which provide the essential links and feed-ins to the technical and vocational streams. Actual development over the period has been encouraging in that enrolment at different levels of education, except at the technical, has surpassed plan targets.

3. The main goals of the Second Five Year Plan for both government and non-government schools are shown in the following table, along the actual results achieved in quantitative terms. In 1959 about 10.5% of the primary school age children were enrolled

in schools following the programme of the Ministry Education. It can be seen that enrolment in government primary schools, expected to go up by 44%, actually increased by 73%. Most of the increase, however, occured in Addis Ababa and in Shewa and Eritrea provinces. Class-room units were intended to increase by about 49% over the plan period. In fact the increase was only 37%, which led to further overcrowding in classes. Some 2,500 primary school teachers were to be trained. Actually, this goal was surpassed as nearly 3,000 new teachers were trained during 1955-59, though this increase was not commensurate with that of enrolment. Thus over-crowding and teacher shortage are among the chief factors which have contributed to high drop-out rates, particularly between the first and second grades. Furthermore, the existence of incomplete schools prevented a large number of pupils from finishing the primary grades. In the non-government schools it can be seen that the expansion of school facilities and enrolment have far surpassed plan targets.

4. Secondary education was given high priority in the plan, with special emphasis on technical and vocational education. Total enrolment, nine-tenths of it in the public schools, was to increase 38% over the plan period, and class rooms were to increase 44%. Many specialized technical and vocational secondary schools were to be established. In actual fact, total secondary enrolment soared 120% and class rooms increased by 82%. In contrast the expansion of technical and vocational streams was less satisfactory. In general secondary education there was a high "tap-off" rate between grades 9 and 11 with a low percentage of twelfth grade students passing successfully the Ethiopian School Leaving Certificate Examination. The number of properly trained secondary school teachers, particularly Ethiopians, was inadequate. Thus the secondary schools have had to rely mainly on expatriate and volunteer teachers.

5. High enrolment targets were (especially in the fields of science and technology) indicated for higher education. Even so, total

Education Targets and Realization
1955-1959

	SFYP Target 1959[3]	Actual Development 1955	Actual Development 1959	Actual 1959 as % of Plan target
Enrolment				
Primary	331,100	268,351	409,710	123.7
Government	275,900	204,410	312,207	113.2
Non-Government	55,200	63,941	97,503	176.6
Secondary[1]	40,830	34,746	66,986	164.1
Government	35,880	28,909	56,381	157.1
Non-Government	4,950	5,837	10,605	214.2
H.S.I.U.	1,560	1,041	2,828	181.3
Classrooms				
Primary	8,330	7,056	8,699	104.4
Government	6,669	5,010	6,144	92.2
Non-Government	1,665	2,046	2,555	153.5
Secondary[1]	1,502	1,290	2,014	134.1
Government	1,280	1,014	1,593	124.5
Non-Government	222	276	421	189.6
Teachers[2]	10,505	8,973	11,988	114.1
Government	8,420	6,479	8,567	101.7
Non-Government	2,085	2,494	3,421	164.0

1. Includes general secondary, technical, vocational and teacher training schools.
2. Includes primary, general secondary and special school teachers.
3. Data revised.

enrolment was 81% higher than the 1959 target. However, the distribution of students did not show plan emphasis on degree programmes on education, science and technology. At the same time there was an extremely high drop out in the University, particularly between the first and second years. The science faculty retained only 1 in 3 students and engineering 1 in 8. A note of caution must be sounded, however, about interpretation of these attrition rates, as the drop-outs included a number of students who transferred to other faculties of the University. So that, while it is true that they were lost to science and engineering, these particular students were not lost to the University as a whole. The attrition rate was sufficiently high, however, to arouse the deep concern of the University, and steps were taken to improve the situation. The University administrator reported that by 1960 hopeful progress had been made in reducing the attrition rate among science and engineering students. The University made real progress on the other hand, in recruiting and training Ethiopian staff, and its contribution to adult education was impressive.

6. The following table provides a summary of expenditure for the educational programmes during 1955-59. So far as capital investments are concerned, it can be seen that the Second Five Year Plan laid down rather modest goals. The Ministry of Education was expected to invest about $12 million for buildings and equipment in the primary and secondary schools, while the University set for itself a building and equipment programme of $10 million, of which only $7 million was spent. In actual fact the Ministry spent $15.6 million during the period. In the case of recurrent expenditures — mainly salaries and emoluments of teachers — the plan foresaw a total of about $128.5 million for primary and secondary schools. In fact, by 1959 total recurrent expenditure reached over $180 million. Where the University had foreseen about $30 million recurrent expenditure for the 5 years, excluding $8 million for grants to students abroad, in fact about $80 million were spent.

Education Expenditures During SFYP (1955-1959)

	SFYP Levels 1955-59	Actual 1955-1959	1955-1959 Actual as % of plan
Capital Investment			
(mill. $)			
Ministry of Education	11.8	15.6	132.2
H.S.I.U.	10.0	7.0	70.0
Non-Government Schools	0.3	–	–
Recurrent Expenditure			
(in Mill. $)			
Ministry of Education	128.5	181.6	141.3
H.S.I.U	29.9	79.6	266.2

7. So far as primary and secondary schools are concerned, more than 70% of the total recurrent costs were met by central government funds. Beginning in 1956, important help was obtained from the Peace Corps which provided secondary school teachers, while covering fully their remuneration. The University also obtained external aid to cover the salaries and emoluments of a considerable number of foreign teaching staff. In addition it received bilateral assistance for constructing the University library and the College of Engineering. Toward the end of the plan period the Government secured a loan of $18 million from IBRD/IDA to finance capital costs of the secondary and teacher training school programme. Meanwhile the Swedish International Development Agency furnished important assistance toward the construction and equipment of primary schools. Swedish assistance covers 50% of total costs.

8. It can be concluded from this summary review of recent experience that the Third Five Year Plan must continue to attach primary importance to the improvement of the quality of education

for the increasing numbers of children and young adults attending schools and colleges. To achieve this, emphasis must be placed upon adequate numbers and quality of teaching staff, and secondly upon the physical facilities that are needed. It is clear also that maximum attention must be paid to a more equitable geographical distribution, throughout the Empire of educational facilities and opportunities.

Educational Policy for the Third Five Year Plan

9. It remains fundamental policy of the Government of Ethiopia that there is no higher priority for economic and social growth than sufficient investment of material and human resources in the education and training of youth, and indeed of the entire population. Education is not only one of the most important ways of improving the real standard of living; it is also through education that a greater sense of well-being can be achieved by the people of the Empire.

10. Somewhat more specifically, the objectives of the Third Five Year Plan in the field of education may be summarized as follows:-

(i) to provide educational opportunity for an increasing number of people, and particularly for the rural population, in part through the provision of more adequate networks of modest rural roads and bus services;

(ii) to provide an educational system within which a more modern scientific outlook on life can be created, which will at the same time be in harmony with Ethiopia's ancient cultural traditions;

(iii) to provide an educational system within which children and youth will come to know more about their country and the opportunities that exist for individual and group participation in its development; in particular, to develop positive attitudes towards manual work and practical skills;

(iv) to provide a system within which a more effective national medium of communication through the Amharic language can be realized;

(v) to provide a system with maximum upward mobility, to the end that an ever larger proportion of youth are offered opportunities for higher education and high level training; and,

(vi) to place appropriate emphasis on the quality of education so that youth may better appreciate and more properly fulfill its task of nation-building.

Educational Achievement Targets for the Third Five Year Plan

11. The major strategy of the education plan is to increase the efficiency of the educational system by stabilizing its structure; by retaining a far higher percentage of the students who enter its various levels, and by improving its organization and administration. This entails that high priority be given to primary education where the drop-out problem is most acute and where standards must by raised. There is the further requirement that emphasis be placed on the training, recruitment and retention of qualified teaching staff at all levels of the system.

12. Emphasis is to be placed upon the content of educational programmes so that curricula can be brought more closely into relationship with the realities of daily life, particularly in the rural rural areas. Strong attempts will also be made to raise the general level of literacy among the adult population, so that their social awareness and economic productivity can be enhanced.

13. The plan attaches renewed priority to the production of technically and scientifically qualified personnel at both higher and intermediate levels. This emphasis will focus particularly on the adequate utilization, improvement, and expansion of technical and vocational schools at the secondary level, but it will also be reflected throughout the entire system. Specific targets of the Third Five Year Plan are discussed in terms of primary, secondary and higher education, and special attention is paid to teacher training.

Primary Education

14. Enrolment in government primary schools is expected to rise from 312,207 in 1959 to 616,000 by 1965, an increase of almost 100%. In addition it is expected that there will be close to 186,000 children in non-government primary schools. Thus a little over 18% of primary school age children should be enrolled by the end of the plan period and the base of the educational pyramid considerably enlarged. Further, the enrolment in the critical sixth grade should be more than double over the plan period. About 60% of sixth grade pupils will pass on to junior secondary schools (grades 7 and 8).

15. In order to get the widest possible benefit of elementary education for rural children, special attention will be paid to rural schools. Curricula will be revised and modernized, with a particular stress on a simple "rural science" approach, the improvement of language and mathematics teaching, and an expansion of home economics for girls.

16. Achievement of these goals in government schools alone requires a large expansion and improvement of teaching staff. Between 8,200 and 9,000 new primary school teachers need to be trained; in-service training will be given to 3,300 teachers, and as many as possible of some 700 clearly sub-standard teachers are to be upgraded. More than 6,000 new class room units are foreseen, about

70% of which will be used for completing incomplete schools, many of which are in urban areas. This will permit a larger percentage of students to reach the higher primary grades. In order to begin to close the gap in school enrolment between urban and rural areas and to obtain a better geographical distribution of public school facilities, about 30% of new classrooms will be grade I classrooms located in new areas. These areas are being determined on the basis of an *awraja* survey already in progress, and upward expansion on this base will be ensured.

17. During the plan period the existing and planned facilities for radio broadcasting and for telecasts in co-operation with Ethiopian Radio and Television Service will be utilized for educational purposes. Accordingly, more radio time will be made available to school and literacy programmes. A general in-service programme for teachers will also be carried out. In addition, educational programmes for adults under the auspices of the Ministries of Education, Agriculture, Health and Community Development will be conducted. Television time for telecast to schools will be doubled by the end of the Plan period.

Secondary Education

18. The second level of education is currently in the process of transition. The reorganization of the secondary system into a general programme, consisting of a junior level (grades 7 and 8) and a senior level (grades 9 to 12) and including specialized technical vocational streams, is well under way.

19. New school buildings and improvement of existing schools will be required. The IBRD/IDA loan referred to above is devoted in part to helping provide modern, well-equipped facilities. These are essential to a more diversified curriculum and training programme aimed at university education, especially in science, mathematics

and engineering and to practical technical training. This assistance will, however, cover little more than the enrolment foreseen in 1961 so that more local funds must be allocated to expansion of facilities for general secondary education.

20. *Junior Secondary*. Enrolment in junior secondary schools is projected to reach 68,000 by 1965, 2¼ times the 1959 level. This area is the "great divide" of education. It is here, after grade eight, that some students will terminate formal education: one stream will go to senior secondary schools, and another stream to special technical and voactional schools.

21. It is estimated that 1,080 new teachers will need to be provided over the plan period for junior secondary schools. Under the IBRD/ IDA loan now becoming effective, 76 well-equipped schools are being erected in 61 locations distributed over half the *awrajas*. They will provide about 33,000 student places. Further, the Government plans to undertake the construction of additional schools to provide another 35, 000 places in areas not presently served. A survey is now in progress for the effective location of these schools and financial assistance is being sought.

22. *Senior Secondary*. About 60% of junior secondary graduates will go on to senior secondary schools. Enrolment in these schools is expected to rise to 35,000 by 1965, an increase of 70% over 1959. Actually, general secondary schools will themselves emphasize two distinct streams. The academic stream is intended to go on either to higher education or to primary teacher training courses. It is expected that about 40% of the students completing grade 10 will be "tapped off" for primary teacher training and about 8% from grade 11 for secondary teacher training. The other streams will emphasize applied technical and vocational subjects in the fields of commerce, industrial arts, agriculture and home economics. About twothirds of all secondary school students will be receiving practical training by the end of the plan period. The majority of these

Education Targets TFYP (1961 - 1965)

	Actual	TFYP		Percent increase
	1960	1961	1965	1960-65
Enrolment				
Government				
Primary	338,737	392,000	616,000	82
General Secondary	61,768	60,810	102,920	67
Tech/Vocational	2,231	2,253	5,245	135
Teacher Training	1,722	2,150	5,950	246
HSI University	3,113	3,488	5,033	59
Non-Government				
Primary	115,752	127,000	186,000	61
General Secondary	9,699	10,500	15,310	58
Classroom Units				
Government				
Primary	6,702	7,840	12,320	84
General Secondary	1,533	1,604	2,698	76
Non-Government				
Primary	2,944	3,260	4,650	58
General Secondary	390	440	500	28
Teachers				
Government				
Primary	6,471	8,960	14,000	116
General Secondary	2,339[1]	2,246	3,777	61
Tech/Vocational	166	217	292	76
Teacher Training	101	127	350	256
Non-Government				
Primary	3,079	3,390	4,960	61
General Secondary	729[1]	800	1,170	60

[1] Includes junior secondary school teachers attached to primary schools.

graduates are expected to find jobs in industry and their efficiency should be relatively high. However, a number of them should also be able to re-enter the system for higher level training.

23. The need for teachers is acute. With over 600 additional senior secondary school teachers urgently required, it seems evident that the existing university training facilities will at most provide 350. There will thus have to be continued heavy reliance on expatriate teachers. Modern mass media and visual aids will be strongly emphasized to supplement classroom work.

Technical and Vocational Schools

24. Technical and vocational education is given in specialized "terminal" schools which provide effective training for skilled and semi-skilled workers in all branches of industry, commerce and agriculture. The design of curricula and the numbers, selection and assignment of students is to be based increasingly on the close analysis now in progress of the future occupational and skill requirements of the development programme. It is expected that about 5,000 students will graduate from specialized courses offered by the Ministry of Education during 1960 - 1964. Enrolment in these schools in 1965 is expected to reach 5,245.

25. It is anticipated that one new vocational school will be built and existing schools extended and improved with appropriate laboratory workshop and other specialized facilities and equipment. It is foreseen that these facilities, fully utilized by day students, will also be put to use at night for adult technical education programmes.

26. Besides the schools operated by the Ministry of Education there are more than fifty specialized training programmes offered by various government departments, specialized agencies and private concerns. Maximum use will be made of these facilities during the period so as to ensure the provision of adequate numbers of skilled

personnel. Every effort will be made to effectively co-ordinate the programmes of all these agencies. However, "tap-offs" from the general secondary programme will be limited to grades 8 and 12.

Higher Education

27. The University and foreign scholarship programmes are expected to supply about a third of the strategic high level professional and technical personnel. Enrolment in the HSIU will expand and reach a total of about 5,000 by 1965. In terms of educational and developmental strategy the Haile Selassie I University, along with other educational authorities, faces two critical areas of choice, one, in regard to the emphasis to be placed on science and technology as against the liberal arts and humanities, the other on the issue of quality versus quantity. In regard to the first, it has been decided that students already enrolled in the University will be channelled as much as possible into the areas of greatest manpower needs. On this basis, it is expected that by the end of the plan period, enrolment ratios will be about 50% in science and technology, 30% in education (teacher training) and 20% in the remaining faculties and programmes. On the second issue, the balance between quality and quantity, a special programme for first year students is being designed to correct the high attrition rates. This programme, which should become effective during the latter part of the first year of the plan, is designed to increase student proficiency in the use of languages and mathematics; to afford freshmen the opportunity to receive a wide range of experience and to give guidance and counselling to each first year student. The University will also redesign its curriculum to bring it more into line with national needs and concerns.

28. *Foreign Training.* In 1960 there were about 2,036 students abroad. With the growing number of scholarships becoming available, it is hoped that about 1,500 more students will go abroad for advanced studies during the Third Five Year Plan. Some 1,150

of the students abroad are expected to return during the TFYP. The orientation and emphasis will be much more than before toward science and technology courses, with specific high-level job training closely related to the needs of the development plan. The Inter-ministrial Scholarship Committee, chaired by the Ministry of Education, is responsible for the implementation of this programme.

Teacher Training

29. The Third Five Year Plan goal is to produce at least 1,100 new primary teachers in 1961. Three new teacher training institutes are to be established so that by 1965 the annual output will reach over 2,000. Special "crash" programmes are also being designed to train the requisite number of primary school teachers. The Haile Selassie I University, UNESCO and UNICEF will continue to co-operate with the Ministry of Education in providing in-service training and up-grading opportunities for a substantial number of teachers through summer vacation courses.

30. Preparation of senior secondary school teachers, the responsibility of the Haile Selassie I University, presents the most critical problem. It is clear that the Faculty of Education must be strengthened so that the annual output of qualified secondary teachers can be increased. The University and the Ministry of Education will also work out a viable programme for increasing the supply of junior secondary teachers. The technical vocational school will need about 132 highly qualified special teachers. The design and establishment of special training programmes for these teachers is now being implemented so that it will be possible to meet the demand for staff in this area. The University will also train some 112 instructors for teacher training institutes, and 77 administrators supervisors for the primary system. A one year diploma course designed to produce primary school supervisors for the various provinces will turn out some 700 trained people.

Adult Education

31. The National Literacy Campaign, under the direction of the National Council of Literacy and assisted by bi-lateral and multilateral organizations and other voluntary agencies; and the Ministry of Education will provide facilities for adult education. Over 3 million adults are to become literate during the plan period through specially designed programmes and the use of mass media. The Ministry of Education will be responsible for developing basic teaching and reading materials, while pamphlets of interest to a largely rural population will be published with the aid of other agencies of government. The Ethiopian News Agency will also make simple newspapers available for circulation as the number of new literates increases. Another 128,000 adults in specially selected development areas are to receive a work-oriented programme assisted by the Special Fund. This pilot project will give much needed experience in functional literacy work which can be fed into the larger programme at a later stage.

32. The various programmes for up-grading middle level professional and skilled personnel are to be strengthened and new courses will be established. The University will re-organize its part-time programme so as to meet current and future needs and it will co-operate with the Institute of Public Administration and the Centre for Ethiopian Management in setting up courses for middle levle managerial manpower. Emphasis will also be put on science and technology in part-time programmes run by the Ministry, the University and specialized agencies.

Arts and Culture

33. The arts and cultural traditions of Ethiopia represent a national heritage that needs greater protection and dissemination. A number of government agencies, including the Ministry of Education

and Fine Arts, as well as private organizations and the Haile Selassie I University are fully aware of their responsibilities in this sphere and much work has been done. Relevant legislation has also been enacted to protect the relics of Ethiopia's past. During the third plan period the Government will create a National Council for Arts and Culture through which efforts will be made to coordinate the activities of various institutions. Efforts will also be made to design various programmes to improve the understanding and appreciation of national arts and culture, particularly among school children. A note-worthy element in the programme is the special emphasis to be put on a more adequate system of public libraries.

The Required Development Expenditures and their Financing

34. It is not surprising that the programme for the vital sector of education should require the input of enormous financial resources. It is estimated that the Government plan alone for extending the formal educational system will require a development expenditure amounting to more than $600 million. These outlays are divided between capital investment and recurrent costs. It can be seen from the table below that capital outlays will amount to about $108 million, in the public sector alone, of which the Ministry of Education will require $89 million for new school construction, school completions and equipment. More than 50% of government expenditure will be absorbed at the primary level to complete existing schools and to build new schools. Another 30 — 40% will go to general secondary, specialized technical and vocational secondary school facilities.

35. It is worthy of note that the "per student" costs of buildings and equipment rise significantly with the level and degree of specialization of the facilities. The costs are particularly high for special technical and vocational secondary schools and for teacher

training institutes, mainly owing to the expensive laboratory and other equipment. About $19.8 million of the capital investment programme is earmarked for the Haile Selassie I University and is destined primarily for constructing a new classroom complex and student facilities in Addis Ababa campuses; for completing the Faculty of Medicine and the University library, and for extending and improving facilities on campuses outside the city.

Development Expenditures 1961-65
($ million)

	1960 Budget	1961	1965	1961-65	Growth rate 1960-65
Capital investment		27.0	26.2	119.6	—
Government	—	25.2	23.5	108.6	—
Ministry of Education	15.0	18.7	22.3	88.8	—
H.S.I.U.	NA	6.5	1.2	19.8	—
Non-Government	NA	1.8	2.7	11.0	—
Recurrent Expenditure[1]	65.6	73.3	125.6	500.0	13.9
Ministry of Education	54.8	61.2	103.8	413.6	13.6
H.S.I.U.[2]	10.8	12.1	21.8	86.4	15.1

1. Government only, excludes external assistance for H.S.I.U.
2. Excludes external assistance.

36. The required recurrent expenditure is also evidently large. Over $400 million are needed at a minimum by the Ministry of Education. More than 80% of local expenditure is earmarked for salaries and emoluments. This is largely due to the big increase foreseen in the number of teachers and to the assumed increase in average salary levels. The remaining 20% of local expenditure accounts for the cost of teaching materials of various types.

37. It is hoped that the non-Government schools, at both primary and secondary levels, will also undertake expansion and improve-

ment programmes requiring about $11 million of capital investment.

38. The sources of finance for the education plan are the central Government, voluntary local contributions and foreign loans and grants. Substantial foreign resources are already being provided for the capital investment programmme. The existing IBRD/IDA financed project will provide about $7.7 million for general and specialized secondary school building and equipment. SIDA will contribute about $25 million towards the cost of construction and and equipment of primary schools. Other multi-lateral or bi-lateral donors are counted upon to provide $5.7 million towards the costs of capital facilities in teacher training and other programmes. The central Government will provide about $42.4 million. In addition it is estimated that about $8 million will be forthcoming in voluntary local contributions. In the case of the HSIU about $7.5 million, or 38% of capital costs, are expected to be financed out of foreign loans and grants.

Ministry of Education Financing of Capital Investment—SFYP and TFYP
($ million)

		1955- 59	1961-65
	Plan	Actual	Plan
Total required	-	15.6	88.8
Domestic resources	11.8	11.6	50.4
Central Government Budget	11.8	8.1	42.4
Other	-	3.5	8.0
External resources	NA	4.0	38.4

39. In the recent past significant external assistance towards meeting the recurrent costs of education have been received. Bilateral and multi-lateral aid has been made available in the form of teachers, technical and professional personnel, money and

materials. This assistance is expected to continue more or less at its present level. Accordingly, much of the additional recurrent costs of education during the plan period will come from tax revenue. At the same time every effort will be made to mobilize more local community resources to support the schools so ardently desired throughout the country.

Organizational and Institutional Reforms

40. The re-organization and staffing of the Ministry of Education already underway will be effected through the strengthening of the four main departments of programme, planning and research; educational operations; administrative services and fine arts and culture. Considerable retraining and re-orientation of the present staff is required and new, qualified professional staff need to be recruited.

41. The size of the entire school system as measured by enrolment and expenditure will, during the Third Five Year Plan period, increase two and three fold compared with the past period. Hence the administrative capacity of the Ministry of Education and the University must be improved in order to carry out such a large programme.

42. A central aim of the Ministry is to strengthen its provincial and local offices throughout the country so that the head office in Addis Ababa can concentrate its attention more adequately on fundamental educational policy, broad planning and effective procedures for plan and project implementation. Consequently, some of the staff now in the head office will be released to the field.

43. Of special importance is the department of programme planning and research which will work in close collaboration with the Ministry of Planning and with all ministries and agencies which

carry out educational programmes. This department will, in co-operation with the department of administrative services, be responsible for annual educational programmes and development budgets.

44. The task of implementing policies and programmes lies, however, within the department of educational operations. It is therefore essential that the various sections be strengthened and that the department as a whole work in close co-ordination with the policy-making unit. It is also this department which will provide better supervisory services for government schools and which will, in addition, provide better supervision, guidance and assistance for the private schools.

45. Consequent upon the re-organization of programmes within the H.S.I. University administrative services need to be strengthened and diversified. The University will set up a planning unit to work in co-ordination with the educational institutions and to work out a long-range plan for university development.

46. A major problem for the educational system has been the retention of teachers, particularly in the primary and secondary schools. During the Third Five Year Plan period an Ethiopian Teaching Service will be set up to reduce the high attrition rate. The Teaching Service will help the formulation of appropriate salary scales, a promotion and appointment structure on the basis of educational qualifications and length of experience. In addition, the provision of more effective administrative and supervisory services is expected to have a salutary effect on teachers. In-service courses and scholarships both within the country and abroad will also be given. All the above measures will help develop an adequate career system and appropriate incentives for the teaching profession in order to improve the retention rates.

47. There is at the present time a need to co-ordinate the activities of

the specialized technical schools. These schools exist not only in the University and the Ministry of Education but also in the Ministries of Community Development, Health, Agriculture, Mining, Commerce and Industry, National Defence and Communications. Autonomous government corporations such as EELPA, IHA, IBTE, EAL and the Municipality of Addis Ababa as well as private institutions offer training programmes of various types. In order to ensure the effective utilization of these training facilities a National Advisory Council for Technical and Vocational Education is being set up under the chairmanship of the Ministry of Education.

48. To carry out the literacy programme a network of offices is being instituted throughout the country under the direction of a new office in the Ministry of Education. In the field of arts and culture which embraces a number of government, quasi-government and private institutions the government will set up a National Council for Arts and Culture.

49. To promote the development of the Amharic language and literature, particularly for the teaching of science and technology , the Government will establish early in the third plan period a National Amharic Academy. The Ministry of Education and Fine Arts, together with the Haile Selassie I University, will make the necessary study during the first year of the plan to determine the required organizational set-up leading to the establishment of the Academy.

50. The National Scientific and Technical Research Council will be established during the first year of the plan. The main task of the Council will be to provide a co-ordinating mechanism and to promote in all agencies increased attention to the development and utilization of science and technology.

51. In order to improve the quality of education of the non-government schools and to control their future expansion, a legislation

will be prepared and submitted to the Government.

52. During the plan period the problem of drop-outs will be studied and recommendations will be made. Further, in co-operation with the institutions concerned, review and study will be made in regard to the creation of machinery which will be responsible for school leaving examinations at grades 6, 8 and 12.

Chapter XVII

Health and Medical Care Programmes

1. The importance of health as a factor in economic development has become increasingly clear in recent years. The health standards of a country are both a reflection and a cause of the prevailing levels of economic and social development. Good health is essential to the contentment and well-being of all people; it is an essential ingredient of a decent standard of living. The extent of disease and illness which a country experiences is, on the other hand, a fair measure of the level of development. Well-designed programmes and efficient expenditure of funds on health and medical services effectively increase the number of man hours of useful work that an individual or population can perform. Good health improves the intensity and quality of that work; and a health service makes possible the exploitation of natural resources, such as new land areas which are uninhabitable unless cleared of endemic disease and pestilence. It can thus readily be seen that planning and administration of improved health services are a critical and even vital factor in assuring the progress and development of the national economy.

Plan Targets and Actual Development, 1955-59

2. The Ministry of Public Health was created in Nahase 1939, when legislation was proclaimed which laid down its responsibilities. For all practical purposes the medical and health services of Ethiopia have evolved since that date, a matter of twenty years. In the early stages these services were almost entirely curative in nature, and minimal in amount; they were concentrated in the major towns. This was inevitable in view of the level of development of communications and civil administration at that time. Urban popula-

tions are always likely to demand medical services before the rural elements of society, and this demand is usually for hospitals. Hence the predominance of curative measures during the early years of the operation of the health services. More recently, however, considerable attempts have been made to shift emphasis towards preventive medical services, and to extend both preventive and curative services. These comprise a network of co-ordinated peripheral and intermediate health units supervised by provincial health departments. These services perform a selected group of functions essential to the health of the country. The peripheral units are health centres and health stations manned by a specially trained staff. It is through the development of the basic health services that all health functions will eventually be performed.

3. Ethiopia lies in the tropical zone but owing to the fact that its major population concentrations are in the highland areas the effects of many of the worst tropical diseases are not as severe as might be expected. Consequently the life expectancy of the bulk of the population is relatively high. As a result degenerative diseases accompanying old age are often encountered.

4. Major communicable diseases, including malaria, TB and smallpox, are still predominant in some regions despite persistent efforts to control them. With the completion of more irrigation schemes bilharsiasis might become a threat to the population in those areas and steps will have to be taken to protect them. Smallpox and leprosy are still quite frequent in some areas but the programme for the control of these diseases has been enlarged. Many of these communicable diseases are aggravated by poor hygienic and sanitary conditions and by the lack of adequate supplies of drinkable water, particularly in the rural areas. The rate of infant and child mortality is generally high. The situation becomes even more acute where nutritional standards are low.

5. For more than a decade the Ministry of Health has maintained and pursued a policy of developing generalized basic health services which combine a curative function with a preventive one. This

policy was continued during the SFYP. Some of the plan targets for this period in terms of physical facilities and medical service personnel are set out in the following table. It shows that the objectives aimed at have been more or less fulfilled. The progress made during the period in the establishment of 30 health centres and 199 health stations has begun to meet some of the needs of the rural population. In the location of these units four main criteria have been followed, namely, population density; accessibility; the presence of essential facilities such as water supplies; and popular demand. The distribution of hospitals remains geographically unbalanced since the majority of hospital services particularly of a specialized nature, are concentrated in Addis Ababa and Asmera. It is estimated that at the present time existing health and medical care services reach at the most 15 to 20% of the total population.

Health Activity
Second Five Year Plan Targets and Actual Developments

	Actual 1954	SFYP target 1959	Actual 1959	1959 Actual as % of target
Net contribution to GDP ($ million)	13.7[1]	22.1	23.2[1]	105.0
Number of hospital beds	—	9,700	8,742[2]	90.0
Number of doctors and interns	—	320	370	115.6
Number of registered nurses	—	580	617	106.4

[1] In 1958 constant prices.

[2] Refers to active beds only, whereas the Plan target figures are for total beds.

6. The hospitals, health centres and health stations now functioning are, in general, understaffed, inadequately supervised, and lack essential medical supplies and equipment. Transport, particularly for supervision of health centres and for the field activities of health

centre personnel is often inadequate. These deficiencies, apart from the lack of supervision already referred to, stem mainly from the provision of too little money for running expenses.

7. The SFYP set out a long-term objective with regard to health centres and health stations. It stated that there should be, eventually, one health centre for every 50,000 people throughout the country. This will require about 500 centres as against 62 now operating. Each health centre should supervise 10 health stations, each station on the average serving 5,000 people. So far about 10% of these estimated requirements have been achieved and it will be many years before the programme becomes fully realized.

8. The next table sets out the size of investment expenditures made on health and medical care programmes in the SFYP, as well as the financing of investment. In terms of capital investment, the the Second Five Year Plan called for a total of $38.9 million. In fact, as can be seen below, investments amounted to only $18.6 million, of which the Government financed about 30%. Other sources including local contributions in money and in kind, account for the rest. External grants, loans and credits to the amount of $2.5 million accounted for the reamining 13%.

Planned and Actual Investment and its Financing, 1955-59

	SFYP Target 1955-59		Estimated Actual Results 1955-59		Actual as percent of Plan
	Million $	Percent	Million	Percent	
Total Health investment	38.9	—	18.6	—	48
Financing of investment	38.9	100.0	18.6	100.0	—
Domestic resources	19.7	50.6	16.1	86.6	—
Central Government Budget	19.7	50.6	5.5	29.6	—
Other sources	—	—	10.6[1]	57.0	—
External sources	19.2	49.4	2.5	13.4	—

1) Estimate

Goals and Policies of the Third Five Year Plan

9. The TFYP, whilst fundamentally continuing the policies already laid down in previous years, will be dominated by the Malaria Eradication Programme. This attack upon malaria, the major communicable disease in the country and the one which has the greatest economic impact, will extend to all malarious areas during the plan period. The development of the basic health services is planned partly to complement the malaria programme since during the Maintenance Phase the units comprising these services will take over essential functions of the programme. Eventually all medical care and health control measures will be dealt with by the basic health services. Until these services are fully developed other special programmes will continue against tuberculosis, leprosy, smallpox and other important communicable diseases. The provincial health departments, with the growing decentralization of the health services, will be further developed to ensure closer supervision of all health activities at provincial and *Awraja* levels. The hospitals, especially those in provincial and rural areas, will be increasingly integrated into the basic health services, by enhancing their preventive functions particularly in terms of maternal and child health and greater participation in communicable disease control. A dominant feature will be the opening of the Duke of Harer Memorial Hospital, but otherwise the main effort will be directed towards improvement of existing hospital facilities and especially the efficiency of staff. The objectives of the plan will call for an intensification of the training of all professional and auxiliary personnel not only to fulfil the programmes of the TFYP period but also for projects which will extend beyond this time. The Duke of Harer Memorial Hospital as a teaching hospital will play an essential role in this programme.

10. As a general rule, the resources of the Ministry of Health and all other organizations both public and private concerned with health services will be directed towards the improvement of the health of the people by reducing or eliminating the cause of diseases:

by engendering an awareness in the public of the benefit to health of simple environmental control measures and the adoption of good nutrition and health attitudes, so that full advantage can be taken of the health services provided. Of more specific significance are the following measures:

(a) Special projects to combat major diseases, such as malaria and tuberculosis, will continue while the long-term objective of concentrating health activities in health centres, health stations and hospitals will be kept in view.

(b) Within the basic health units, emphasis will be placed on teaching the mother, and on emphasizing the care of the mother and child, since the health of future generations is an important element in the economic prosperity of the nation.

(c) Education of staff, as well as of the public, in all medical and health techniques, will be the prime responsibility of all staff members, according to their capacity and and ability.

(d) Under the guidance of the Ministry of Health the curative services currently in existence will be consolidated, and their efficiency improved.

(e) The development of environmental health services at national, provincial, and *Awraja* levels will be carried out so as to provide a firm base for a comprehensive preventive health programme.

(f) The degree and quality of supervision of health services will be improved. Efforts will be made to strengthen provincial health departments, so that they can carry out their work more effectively, while steps will be taken to improve the efficiency of operations at headquarters.

(g) Considerable emphasis will be placed on an increase in the training programme for all levels of staff. in order to ensure implementation of the present and future plans.

(h) An efficient statistics and record-keeping system will be established, not only for the purpose of planning, but also as a basis for evaluating the effectiveness of the health services.

11. The following table gives a summary picture of the main targets of the TFYP in terms of physical facilities to be provided and medical personnel needed.

Health Activity, Third Five Year Plan

	1960 estimated	1965 target	Percent increase 1960 - 65
Contribution to GDP[1] (at 1958 prices)	26.4	44.4	68
Number of hospital beds[2]	8,830	9,850[3]	..
Number of health centres	68[4]	124	82
Number of health stations	587	997	70
Number of doctors and interns	370	630	70
Number of registered nurses	677[1]	1,041[1]	54
Number of health officers	163	358	120
Number of community nurses	185	355	92
Number of sanitarians	185	330	78

12. Examination of these data suggests that there well be a significant increase in both the amount of health services rendered, and in the contribution they make to the gross domestic product.

---

[1] Data for all health services estimated.

[2] Data for all health services covering active beds only.

[3] Excludes the increase for institutions other than Ministry of Health.

[4] Assuming six health centres will be built in 1960 FY.

13. The number of hospitals and of hospital beds is not projected to increase significantly during the Third Five Year Plan but, with a few additional units to be built, it is expected that the ratio to population, both of hospital beds and of doctors, will nevertheless improve. The number of health centres and health stations in operation will be almost doubled by 1965. One of the main obstacles to expanding health and medical care services will be the availability of trained staff. Doctors, registered nurses and supporting medical technical personnel of all sorts cannot be produced rapidly.

14. The main features of the public health Third Five Year Plan are outlined below.

Malaria Eradication

15. The incidence of malaria on the population and its prevalance over the larger, potentially productive part of the country poses one of the most serious health threats to the development of Ethiopia. About 11 million people are exposed to the hazards of malaria. Recognizing the adverse socio-economic implications, priority has been given to malaria eradication together with the development and expansion of basic health services in relation to this programme.

16. From the point of view of technical feasibility and the availability of resource requirements, the country has been divided into areas known as "A", "B", "C" and "D", and the programme is designed to be executed in four successive stages in the four areas i.e. the Preparatory, Attack, Consolidation and Maintenance Phases. The achievement of its objectives will require 12 to 15 years according to the long-term plan of operation which is approved by the Government and the participating international agencies. Even though Area "B" entered the Preparatory Phase in 1959, activity so far has been concentrated mainly in Area "A" which is approaching the Consolidation Phase. The successive stages of implementation of the programme during the current plan period is depicted in the schedule below..

Phasing of the MEP During the TFYP

Area	Preparatory	Attack	Consolidation	Maintenance
"A" - North & Central	Completed	1958-1963	1961-1963	Begins in 1964
"B" - Central & West	1959-1961	1962-1965	Begins in 1964	Begins in 1965
"C" - South & West	1961-1963	Begins in 1964	After 1965	After 1965
"D" - South	1962-1964	Begins in 1965	After 1965	After 1965

17. By the end of the TFYP. 17 zone bases and about 110 sector offices, spread over the four areas, will be in operation. The table below shows, on the basis of the plan of operation cited above, the total financial requirements for the execution of the programme within the Third Five Year Plan.

Financial Requirements of the MEP During the TFYP ($000)

Fiscal Year	Capital Expenditures	Recurrent Expenditures		Total[1] Requirements
		Salaries & Wages	Running Costs	
1961	...	...	...	14,270
1962	1,033	8,717	5,302	15,822
1963	3,344	9,920	5,409	19,443
1964	533	9,974	5,420	16,697
1965	2,924	10,652	5,492	19,845

1) Totals do not add up over the rows.

18. The above table of total cost estimates includes direct foreign grant assistance (shown only in the last column, but not in the others), to be made available by both WHO and USAID in the form of technical advisory services. The portion of foreign aid, particularly from USAID in the form of development loans, is also reflected in the table.

19. A final point that cannot be over-emphasized is the intensity of effort and continuity of support which the programme demands. There is no such thing as partial implementation of a malaria eradication programme. The consequences of delays or postpone-

ments of resource requirements must, therefore, be recognized to mean not only an indefinite prolongation and unbearable future sacrifice in achieving the programme objectives, but also a disastrous total loss in prior investments since the nature of such a programme requires the starting from scratch every time it faces a curtailment of its progress in every phase and area of implementation.

Basic Health Services

20. The existing basic health services will be strengthened and the majority of new facilities will be located in relation to the Malaria Eradication Programme. Fifty-six new health centres will be established; forty-six of these will be in regions where malaria eradication is planned. The remainder will be strategically located in relation to other national development projects, and in areas which present pressing health problems. Twelve existing centres will be up-graded. Most of the 410 new health stations to be established will be located in malarious regions and 120 existing stations will be up-graded in terms of their buildings, equipment and supplies.

21. The basic health services include provincial hospitals which have attached health centres, the separate health centres themselves, and the health stations. The health centre is the essential unit of the basic health services. Although each centre provides a policlinic, giving curative service, more emphasis will be placed on health education, maternal and child health activities, environmental health and special measures directed against communicable diseases prevalent in the area served by the centre. Most of this work will be undertaken in areas immediately surrounding the centre, but in the case of vaccination campaigns against smallpox and tuberculosis, it will be carried out much further afield. The health centre is the unit in which the principle of the integration of curative and preventive medicine is most actively pursued. The main function of the health station on the other hand is a simple curative one, but the stations take part in campaigns against communicable disease and

attacking epidemics, for example, of malaria and typhus whenever these occur. The health stations also provide a communicable disease information service which will be better co-ordinated in the third plan period.

22. The basic health services are supervised by provincial health departments which were established late in the Second Five Year Plan period. The provision of professional staff at provincial centres will be fully implemented as soon as suitably trained national staff are available, particularly health officers who are now being trained as doctors. These departments will also be improved in terms of their physical and technical facilities and transport and travelling expenses will be provided so that they can fulfil their supervisory functions.

Hospital Services

23. Only a minimum number of new hospitals will be constructed during the plan period. Hospitals now being completed will ensure a minimum of one hospital in each province by the end of 1961. The Duke of Harer Memorial Hospital in Addis Ababa, a modern institution of 500 beds, is to be completed within the first two years of the plan. A new hospital is being constructed at Gode.

24. The major emphasis during this period will be upon consolidating hospital services and making them as efficient as possible, so that a maximum number of patients can be provided with medical care within the existing facilities. This will be achieved through an increase in the nursing and ancillary staff ratio to patients, as well as through an increase in the supply of drugs and equipment. Considerable improvement in the organization and administration of hospitals throughout the country is anticipated while the financial arrangements for the payment of hospital services will come under review.

25. Mental health services are inadequate, but the plan can only provide for a minimum of improvement. One mental hospital is

being completed in Asmera and another will be constructed in Harer. The hospital in Addis Ababa is to be rehabilitated.

Communicable Disease Control

26. Tuberculosis, second only to malaria as a cause of death, affects especially the active labour force aged 15 to 45 years. About half a million people are thought to have active tuberculosis. The Ministry of Public Health operates a special programme for tuberculosis control which comprises prevention, treatment, staff training and operational research. During the Third Five Year Plan period, the major preventive measure, BCG vaccination, will be intensified. Campaigns will be mounted in the provinces through the basic health services and mobile teams will assist in areas where these services are inadequate. Special emphasis will be put on the protection of children and youth. Treatment facilities will be improved by the extension of the TB Centre at Addis Ababa and by increasing the facilities at Harer. The health centres will be assisted by the TB Centre so that the latter will co-ordinate treatment of rural cases. Training staff will be continued in the TB Centres as well as the Gonder Training College. Continuous research into all aspects of tuberculosis control will be continued throughout the plan period.

27. *The Leprosy Control Programme*, carried out currently by the Princess Zenebework Leprosarium at Addis Ababa and four units in Gojjam, will be augmented by the establishment of five new units. These units will be staffed by health officers, sanitarians and international volunteers. With the assistance of ALERT, the leprosarium will be rehabilitated and expanded, so that it may grow into a training centre for workers in Ethiopia and other African countries. A more dynamic public educational programme will be pursued through the health centres with the use of mall media, in an effort to change attitudes towards this disease, and to encourage early treatment.

28. The Division of Communicable Disease will co-ordinate the work of the basic health services in the reduction of other *communicable diseases*, for example, smallpox, eye diseases, venereal diseases, typhus and relapsing fever. Yellow fever will require a special campaign. The Ministry of Public Health will continue large-scale serological and entymological investigations in selected areas, in order to define the endemic foci of yellow fever and its periphery, so that a barrier of vaccinated people can be set up to prevent the spread of the disease. It will also be necessary during the plan period to vaccinate within the endemic areas.

29. Co-ordination of provincial work will be undertaken by the Department of Health Services which will also co-ordinate the programmes of the Imperial Central Laboratory and Research Institute (ICLRI) and the Anti-Epidemic Service (AES) in communicable disease control. A communicable disease map will be drawn up to form the basis for prevention of epidemics and eventual elimination of endemic foci. The AES will, for the time being, continue to provide staff, vaccines and drugs to reinforce provincial communicable disease control and assist the Municipality of Addis Ababa and other municipalities in vaccination programmes.

30. *Laboratory services* are to be strengthened inthe Institute at Addis Ababa and in the hospitals of the city. Two laboratories in provincial hospitals will be expanded and improved and staff and equipment will be supplied for those health centres which operate laboratories. All laboratory services will be unified, standardized and co-ordinated through the ICLRI.

31. *Nutrition*. Emphasis will be increased during the Third Five Year Plan on programmes to improve the nutritional levels of the population. It is anticipated that the considerable amount of survey and research work already done in nutrition will shortly lead to the establishment of a commercial enterprise to produce and market the low-cost, high-protein food, *faffa*. The strategy for combating malnutrition, most acute in infants and children, will consist of widespread dissemination of nutrition information and

education and the revitalization of the Inter-Departmental National Food and Nutrition Board. This Board will be given the necessary technical and administrative support to execute and co-ordinate nutrition programmes.

Environmental Health

32. The emphasis on the preventive aspects of the health services will naturally include improvements in environmental health. Greater collaboration between the Environmental Health Department and the Department of Municipalities, the Department of Water Resources and autonomous Municipalities of Addis Ababa and Asmera will also be effected. As a foundation for increased environmental controls, environmental health legislation is to be framed and enacted. In addition to the development of comprehensive port sanitation programmes in Asseb, Mitsiwa, and the inland port of Dire Dawa, the Division will continue to provide essential sanitary services in food hygiene.

33. The critical importance of safe water supplies and adequate waste disposal facilities in the control of communicable disease is fully realized. As a result, the Division constantly encourages the attachment of the highest priority to the expansion of safe water supplies in both urban and rural areas.

34. With the collaboration of other ministries greater attention will be paid to the living and working environment. The inclusion of environmental sanitation considerations in the location, design and maintenance of schools will be emphasized. The Division is expected to work with the Department of Housing in setting up a Housing Code with minimum standards for health living conditions. With the Department of Labour much sounder standards of industrial hygiene will be established and enforced for the benefit of workers and to prevent a deterioration of the surrounding environment.

Maternal and Child Health Services

35. Maternity and child care are a major responsibility of the basic health services. This programme will be strengthened in the coming five years, both in the basic services and through the utilization of the special facilities and staff at the Ethio-Swedish Paediatric Hospital and the Ghandi Memorial Hospital as well as the child health clinics operated by the Municipality of Addis Ababa and others.

School Health

36. In close co-operation with the Ministry of Education there will be intensified programmes for vaccination and an improvement in environmental sanitation. This again will be one of the essential functions of the basic health service which will also participate to a greater degree in health education in primary and secondary schools, teacher training colleges and at the University level.

Health Education

37. One of the important targets of the TFYP is to establish a much broader and practically oriented public health education programme. The Division of Health Education in the Ministry of Health will increase its resources so as to strengthen current programmes and extend its activities. Health education specialists will be appointed at provincial level to enhance and co-ordinate the work of the health centres and provincial health departments. There will be continuing, active technical collaboration between the Division of Health Education and other technical services in the Ministry of Public Health in the planning, implementation follow-up and evaluation of health education programmes, whether specific or general in nature.

38. Assistance will be extended to other organizations which operate health education services, such as the armed forces, welfare organizations and youth associations. Emphasis will be placed on

the improvement of health education programmes at all levels of the school system. Greater use will be made of mass media to influence the general public. At the same time, the staff of the Division of Health Education will travel frequently within the community to assess the changing needs of various areas and to direct their programmes in relation to these needs.

Health Personnel

39. The education and training of medical personnel is an important aspect of planning for the Third Five Year Plan period. In 1959, there were only 370 practicing doctors and surgeons in Ethiopia, of whom only 50 were Ethiopians. This is a ratio of one doctor to 63,000 population; but it conceals a range of from 1 to 2,500 in Asmera, and 1 to 3,000 in Addis Ababa, to somewhere between 1 to 100,000 and 1 to 250,000 in the 14 provinces. With the exception of six recently trained Ethiopian doctors, all the rest received their training abroad. During the Third Five Year Plan, the training facilities for Ethiopian doctors should reach a capacity of about 30 students annually in the Haile Selassie I University with the possibility of accepting 80 students when the Duke of Harer Memorial Hospital is completed. Output of trained doctors is anticipated to be 37 over the period, while 25 will have returned from abroad. Training in the Medical Faculty will emphasize the public health aspects of medicine.

40. The other kinds of specialized personnel whose training and recruitment are vitally important to the implementation of the health programme, include pharmacists, the public health workers — health officers, community nurses and sanitarians — nurses and midwives; dressers, both with elementary and somewhat more advanced training; auxiliary staff such as X-ray and laboratory technicians; anaesthetists; malaria eradication workers and supporting staff of all sorts including hospital adminstrators, accounting and finance experts and supply officers for hospitals, clinics and other institutions.

41. Training facilities within the country, together with the scholarship programme, will produce the following numbers of health personnel: 35 pharmacists and 50 assistant pharmacists; 195 health officers; 170 community nurses and 145 sanitarians; 300 registered nurses and 60-90 midwives; 1,508 elementary dressers and 665 advanced dressers; 192 technicians, including 31 laboratory technicians and about 160 graduates in various fields who are receiving training abroad. The Malaria Eradication Service will be able to produce all the personnel it needs within its training programme and it is hoped that it can utilize the personnel of the armed forces in some areas, wherever this is possible.

42. Supporting staff will be recruited from among university and technical school graduates, while short-falls in all areas will be filled by recruiting expatriates, and through multi-lateral and bilateral assistance. Considerable expansion of nurses training facilities will be made through the construction of one new school and the expansion and maximum utilization of existing schools. Annual output will therefore reach 100 by 1965.

Research, and Vital Health Statistics

43. The medical research activities at the University and the Imperial Central Laboratory and Research Institute will be strengthened with the addition of personnel, funds and equipment.

44. The statistics division of the Ministry of Public Health will be strengthened, so that it may carry out its responsibilities efficiently. Statistics on health personnel, health institutions, morbidity and mortality, as well as the utilization of health services and the efficiency of health programmes, will be collected on a regular and continuous basis from all government and non-government health institutions in conformity with the statistical standards accepted by the Central Statistical Office. Despite the shortcomings evident in retrospective inquiries they will be continued, but steps will be taken to establish within the Ministry of Planning and

Development an organization for introducing a civil registration system for systematic collection and analysis of vital data beginning with a random sample of registration areas. An advisory committee, to consist of those agencies most concerned with the collection of vital statistics, will be set up.

The TFYP Development Expenditures for Health and Their Financing

45. The amount of capital expenditures earmarked for the health programme is about $41 million over the five years. The recurrent expenditure implication of the health programme is relatively large, amounting to about $340 million over the five years, out of which $167.5 million is earmarked for the Ministry of Public Health including expenditures for the Duck of Harer Memorial Hospital but excluding the costs of the Malaria Eradication Programme.

Third Five Year Plan Development
Expenditures and their Financing
(1961-65)

	Plan $ million	Percent distribution
Total investment financing	38.7[1]	100.0
Domestic resources	33.2	85.8
Central Government budget	17.5	45.2
Other sources	15.7	40.6
External resources	5.5	14.2

[1] Does not include investment for the Malaria Eradication or the Duke of Harar Memorial Hospital. The latter will require about $5 million for equipment, only 15% of which will be required in 1961

46. The greater part of the investment will be devoted to the construction of buildings and the purchase of equipment for the health centres and health stations. In the main, these investments are financed from domestic sources. In particular, the direct contribution of the Central Government will amount to $17.5 million over

the plan period, of which $6.04 million has already been approved in the 1961 budget. The latter figure includes $2.2 million for the building of the Medical School to be attached to the Duke of Harer Memorial Hospital. External loans and credit are counted upon for about $1.4 million, or 4% of the total financial requirements of the programme. It is hoped and expected that a more adequate and viable system of payment for hospital services will be instituted.

47. The heavy recurrent expenditures required for the health and medical programmes are dominated by the particularly heavy costs of the intensive programme for malaria eradication and the opening of the Duke of Harer Memorial Hospital. These put a severe constraint on the budget availabilities for other aspects of the health programmes. The malaria programme, to be later integrated into the basic health services, will itself cost $86 million over the plan period: a little less than half of this amount is expected in the form of external loans. The recurrent operating expenses of the Duke of Harer Memorial Hospital are estimated for the five years at $16.9 million.

Organizational and Administrative Problems

48. It is clear that a policy and a far-flung programme of preventive medicine must depend for its success on the degree of co-operation and collaboration among the many agencies involved in health activities. The hub of the system is and must remain the Ministry of Public Health. Nevertheless, many other ministries and specialized agencies centred in Addis Ababa are also heavily concerned. In addition, there are various local government authorities and the many private agencies and institutions. Finally, a heavy task devolves upon the Ministry of Public Health effectively to co-ordinate all of these activities. This will depend both on the strengthening of the programming and planning unit of the Ministry as well as of its administrative machinery, both at the centre and in the field.

49. The most critical need is for the implementation of the policy adopted by the Ministry of Public Health to pursue a reorganization leading to a more effective decentralization of the public health system. Effective adminstration of such a programme, once it is set up, also urgently requires reorganization, and great efficiency within the headquarters in Addis Ababa. Co-ordination is sorely needed especially between the technical and administrative departments of the Ministry, so that basic policy decisions are efficiently executed. It will be essential to set up effective lines of communication and reporting between the Ministry's head office and the decentralized health departments. The Ministry should become increasingly a policy and technical back-up unit. while the provincial offices will be concerned with the actual technical and administrative implementation of the policies and programmes. Stress has already been put on the need to design more effective personnel recruitment, assignment and development policies with adequate incentives. The success of the programme, in particular the extension of effective health services to the provinces. and especially to rural areas, will require the utmost in morale, dedication and public spiritedness of administrative staff, of doctors and supporting professional and technical personnel.

Chapter XVIII

Community Development, Urban Infrastructure and Housing

A. Rural Community Development

(a) Introduction

1. Community development is a programme of aided self-help for the improvement of individual and collective skills of the rural population. The programme, to succeed and to have real benefit, must be developed into an integrated total approach to rural transformation, based on local resources and initiative. The programme has, therefore, to be planned and implemented by the rural communities themselves, the Government supplying only such technical and financial help as is indispensable and essential.

2. The national objective of the community development programme during the Second Five Year Plan was "to unite the efforts of the people in the communities with those of governmental authorities, to improve the economic, social and cultural conditions of the communities, to integrate these communities into the life of the nation, and to enable them to contribute fully to the national progress". Toward the implementation of this objective the Government adopted a number of administrative measures. At the national level the national community development programme was to be co-ordinated through the National Board of Community Development, which had been established by the government as early as 1949. The Board was vested with the authority to lay down general national policies and to supervise the execution of the programmes pertaining to community development. At the district level, where community development centres exist, co-ordinating committees chaired by the district governor have been established. The district development officers serve as secretaries to the district

Development Committees. Finally, at the lowest level, Village Development Councils have been established to co-ordinate activities of the villagers. The SFYP placed great hopes for the success of the community development programme on this organizational structure for co-ordination at the national and local levels. The Ministry of National Community Development was to be the administrative and organizational channel through which technical ministries were to implement their rural development programmes where community development centres had been established.

3. Meanwhile the success of policy co-ordination by the Ministry of Community Development depended on the co-operation of the technical ministries. So far, there has not been an integrated rural development programme at the local level. As a result the technical ministries as well as the Ministry of Community Development established projects in rural areas in an un-coordinated fashion during this period. The ECA Evaluation Team reported in 1958 that the Ministry of Community Development continued to establish community development centres without consulting the technical ministries. On their side, the ministries did not supply field agents to support the programme of the MNCD In consequence the MNCD began to hire directly its own specialist staff: teachers, agricultural specialists, health workers, etc.

4. The Second Five Year Plan emphasized the creation of right attitudes. During this period a number of projects of socio-economic character were carried out in the 33 community development centres already established. These projects covered construction of feeder roads, bridges, clinics, primary school buildings, improved houses, water wells, simple irrigation schemes, grain stores, etc. Furthermore, agricultural co-operative societies, housing and weavers' associations and womens' and youth clubs were formed. More important still, the Village Development Council was organized to undertake planning and administration of the Com-

munity development programme at the *atbia* level.

(b) Policies and Objectives

5. The Ethiopian community development programme will have two essential elements: "the participation of the people themselves in an effort to improve their level of living and the provision of technical and other services in ways which will encourage initiative, self-help and mutual-help and make these more effective".[1] Accordingly the community development programme is expected to play a key role in an integrated rural development programme.

6. The basic approach of the Third Five Year Plan consists of (a) the provision of an integrated and balanced package of technical and other services on an area basis; (b) the motivation of the population in these areas to partake in the process of development. The areas to be designated for concerted inter-ministerial action will mainly be, but not solely, selected from the standpoint of their contribution to the economic and social development of the nation. Several variants of this approach (e.g. package programmes, growth centres, etc.) have been outlined in Chapter XX which deals with regional aspects of the Third Five Year Plan.

7. The Government will ensure through its annual programmes that detailed plans and programmes are elaborated for each of the selected areas. Field agents together with supporting services will be provided by the technical ministries and agencies. The technical supervision of field agents or substantive specialists will be exercised by the ministries and agencies concerned, in accordance with the specified programme for the selected areas. However, the mere provision of these services will not have the desired impact unless first the local people are motivated to participate in the process of

---

[1] ECOSOC.

development itself, and second, governmental specialized field services are administratively co-ordinated at the project level in the area.

8. In this respect the community development worker can make an effective contribution to an integrated rural development by providing a link with the local population on the one hand and the field agents who render the required technical services on the other. Inter-agency co-ordination at the local or porject level may be carried out by the community development officer. In general, the Government will appoint a field administrator or co-ordinator for each programme of integrated rural development. The field administrator may be the local community development officer or the district governor or a person specially designated by the Government. In most cases the field administrator could be selected from among the experienced community development officers. However, in the case of the more complex schemes for rural development, such as the Chilalo project in Arussi, or the proposed project for Welamo Soddo, better trained and more experienced field administrators will be required. In the case of the latter, the field administrators will normally have technical responsibilities in addition to their normal functions of administrative co-ordination.

9. It is a firm policy of the Government that the location of new community development centres will be closely associated with areas to be selected for balanced rural development programmes, e.g., package programmes, growth centres, etc. At the same time the field agents assigned by the technical ministries to work in these areas will be given clear directives to co-operate with the field administrator. During the Third Five Year Plan period 67 additional community development centres will be established . At present there are 33 such centres in existence, so that by the end of the plan there will be 100 community development centres.

10. Another main objective of the community development pro-

gramme is to strengthen the existing centres with more specialized field staff. As already mentioned, the M N C D. has so far recruited directly auxiliary technical personnel for these centres. In this respect it is important that the Ministry should co-ordinate its activities with technical ministries in order to avoid duplication. When the Ministy of Community Development initiates the establishment of a school or a clinic, it will be necessary to ensure that these projects form an integral part of the agreed programmes of the technical ministries concerned.

11. It is also the policy of the Government to provide grants-in-aid as matching funds for local contributions. The projects to be financed with the help of grants-in-aid will be rather varied in character, e.g., primary schools, clinics, feeder roads, water supply, housing. These projects will be elaborated and sanctioned by the organizations of local people. In implementing this programme it will be the primary responsibility of the Ministry of Community Development to ensure that the various components of its programmes will form an integral part of the five-year programmes of the technical ministries. This will avoid unnecessary imbalance in the supply of and demand for funds, technical personnel, etc.

12. During the Third Five Year Plan period new regional community development offices will be opened only when careful studies, to be made during this period, have indicated their indispensability, as well as the ways and means of achieving their establishment and efficient operation.

13. In order to meet the need of qualified personnel, especially community development village level workers, the Training and Demonstration Centre at Awasa will be expanded beginning in 1961. It is expected that the school will double its present output by 1963. A second Training and Demonstration Centre with a capacity of 160 students will be established in 1962 and start operation by the beginning of 1963. During the Third Five Year

Plan period, total output from the two centres will be about 480 village level workers. About a third of the graduates from the centres will be women to take up the work of community development for rural women and children. Apart from the above two-year pre-service training, an in-service training for village level workers, district development officers and supervisors, orientation course for community development personnel and members of district and village committee members, leadership training for volunteers will be organized. Additionally a National Youth Centre will be set up at Awasa for imparting training in youth work and youth leadership, social and civic education.

(c) Development Expenditures and Their Financing

14. The total planned expenditure on community development will be about $22 million, of which $16.1 million will be in the form of recurrent items and $5.9 million will be capital outlays.

15. The recurrent expenditures are composed mainly of the salaries and wages of the district development officers and their assistants. as well as of the village level workers. This entire payroll will increase from an estimated $1.5 million in 1961 to $4.3 million in 1965, and will total nearly $13.6 million during the whole five year period. The other items included in recurrent expenditures are the two Training and Demonstration Centres, of which one is new and the National Youth Centre.

16. Of the $5.9 million capital expenditure for the community development programme, $2.9 million is for the construction of community centre projects and $0.8 million will be used to expand the Training Centre at Awasa as well as for the construction of a new training centre, and for the establishment of a National Youth Centre. In addition the Government will furnish grants-in-aid, amounting to $2.2 million. These funds will be administered by the MNCD jointly with relevant local authorities

Community Development
Recurrent and Capital Expenditures[1] 1961-1965.

($000)

	1961	1962	1963	1964	1965	Total 1961-65
Community Development Total	2,558.6	3,282.6	3,991.0	5,426.8	6,709.9	21,968.9
Recurrent Expenditure	1,985.6	2,177.6	2,859.0	4,021.8	5,014.0	16,058.3
«Wereda» Development Centres	1,465.7	2,027.6	2,459.0	3,321.8	4,314.0	13,588.1
Training and Demonstration Centre	231.8	150.0	300.0	600.0	600.0	1,881.8
National Youth Centre	—	—	100.0	100.0	100.0	300.0
Others	288.1	—	—	—	—	288.1
Capital Expenditures	573.0	1,105.0	1,132.0	1,405.0	1,695.9	5,910.9
New Community Centres	130.0	476.0	433.0	866.0	995.9	2,900.9
Grants-in-Aid	230.0	329.0	399.0	539.0	700.0	2,197.0
Training Centres	213.0	300.0	300.0	—	—	813.0

---

[1] The expenditures given above, except for 1961, exclude recurrent and capital expenditures for Regional Community Development Offices. Expenditures for Head Office are included in 'Other Civil Administration and Security'.

B. Urban Infrastructure

(a) Introduction

17. About 8% of the total population now lives in urbanized areas. In recent years, migration to the larger cities and towns has increased and will continue to increase. In the light of these developments the chief needs are, first, good planning and programmeing for urban development which will ensure that the need for costly redevelopment programmes, at a later stage, will be left at a minimum, besides contributing to better housing, and a fair distribution of community services for ever larger sectors of the population; second, since urbanization induces rapid and wide-spread social change, steps should be taken to obviate the tensions that often arise when older values come into conflict with newer ones; thirdly, urban areas must be made economically increasingly viable, in order to provide growing opportunities for employment.

18. In recent years, the progress achieved in the field of urban housing has been considerable. The population of Addis Ababa itself has increased by more than 40% during the period 1953-59. Other major and middle-sized cities have also grown rapidly. In Addis Ababa there has been a boom in construction activity generally, and of housing construction in particular. This has taken the form both of individual family dwelling units of various types and standards and also, more recently, in the form of multi-family apartment buildings. At the same time, it has been both necessary and possible for the Municipality of Addis Ababa to realize conside-able expansion and improvement of its basic urban facilities and services, such as streets, water supply, a sanitation and sewage disposal, and various other social and cultural facilities.

19. The Department of Municipalities in the Ministry of Interior has been engaged, in recent years, in a number of town-planning activities. This work has included topographical surveys for 20 towns; and preliminary plans for another 20 towns are in process. The Department has clearly identified the special problem of improving the water supply for most of the municipalities throughout the Empire.

20. A fundamental objective is to develop well-conceived urban development plans. This requires further topographical surveys and the formulation of master plans for growing urban centres. Good zoning of the land space is absolutely essential, not only in the case of industrial sites, but also in areas designated for residential housing. A crucial need is to evolve sound policy and effective procedures for the preclusive acquisition of necessary land in Addis Ababa, and elsewhere, in order to prevent undue speculation in land values. Alternative approaches to the solution of this problem are now being studied. Once new sites are acquired, the municipalities will design and invest in streets, lighting, water supply and sewage disposal and drainage. With the provision and maintenance of infrastructural facilities by municipalities, it is expected that

private owners will, with or without the help of contractors, construct their own dwelling units in accordance with their means.

(b) Development Targets for the TFYP

21. The programmes for the Third Five Year Plan cover city planning and housing; urban infrastructure programmes include sewage disposal and environmental sanitation.

(i) City Plans

22. In order to ensure the orderly development of the capital city, Addis Ababa, the Master plan will be published in 1961 and executed during the plan period. A cadastral survey of the city will be carried out, house numbering applied, and effective legislation, designed to deal with the problem of land acquisition, will be drafted and enacted. Land and property taxes will also be more widely and effectively applied. The Department of Municipalities will establish priorities for the preparation of master plans for growing urban centres, all of which will need the provision of basic facilities. These master plans will be legislated to ensure a coordinated development of the cities.

(ii) Water Supply

23. As a result of the rapid increase of the population of Addis Ababa, there will be a growing demand for water. The completion during the first year of the plan of the Legedadi reservoir, with a capacity of 50,000 cubic metres per day, should take care of demand in the near future. The Municipality will, with the assistance of the Department of Water Resources, investigate the possible sources of groundwater within the city limits to supplement the known supply.

24. The Department of Municipalities in the Ministry of Interior is also concerned with safe water supply to other cities and towns. It expects to launch an extensive programme of this nature for the major towns, and to help to alleviate the water supply problem in the remaining towns. Studies, designs, and new construction work, will be undertaken to implement the programme. The Ministry of Public Health has set up standards for safe drinking water. All municipalities will be expected to abide by these standards. The Municipality of Addis Ababa will improve its water quality control with the assistance of the Department of Environmental Health in the Ministry of Public Health.

(iii) Sewage and Environmental Sanitation

25. Sewage disposal systems are also a prime requisite of modern urban living and vital for the environmental health of the population. Addis Ababa expects to launch the first phase of a city-wide sewage disposal system during the next plan period. Public sanitary facilities will be improved and the Municipality will make sure that all public and commercial buildings are properly equipped. The city's system of public toilets shortly to be re-opened, will be more closely supervised in regard to health and sanitation standards, than in the past period. New garbage disposal areas will be provided for parts of the city not presently served.

26. Smaller towns throughout the country are taking similar steps, directly or through the Ministry of Interior, to set up efficient, if rudimentary, sanitary control systems with the assistance of the trained sanitarians attached to the Provincial Health Offices. The Department of Environmental Health is now preparing a Sanitary Code which will be enacted in 1961. This will give a broad framework within which individual municipalities can set up reasonable standards for environmental sanitation.

(iv) Infrastructure Programme

27. Another programme involves electrification. In Addis Ababa, the whole distribution system will be modernized and new poles for street-lighting will be installed, while new self-contained systems will be set up for at least 17 other towns. Telephone, telegraph, telex and postal communication in Addis Ababa and Asmera will be expanded so as to improve inter-urban and international communication, while the extension of telephone communication between smaller urban areas will be stressed. Proper maintenance of city streets and the construction of side-walks will be an important target of the plan period. In Addis Ababa alone some 52,000 metres of new roads will be constructed. Adequate parking facilities for some 38,000 vehicles will be provided in Addis Ababa in accordance with town planning regulations. The Municipality of Addis Ababa will also bring the seating capacity in the city bus service to 13,650. An urgent job to be done in Addis Ababa is the regulation and control of city traffic, already begun and the education of the public in traffic safety. Public parks and recreation services are to be established in Addis Ababa and fire protection services will be improved, with the extension of existing stations and the addition of three new ones.

(v) Social Welfare and Municipal Health Programmes

28. The Municipality of Addis Ababa currently operates five clinics, four of which are mother and child health clinics. These clinics will be improved and expanded during the Third Five Year Plan period and five new clinics will be instituted with the assistance of the Swedish "Save the Children Fund". A clinic for the poor and destitute will also be established and the ambulance service will be improved and extended.

29. Legislation for the protection of the young, destitute, and the deserted, as well as for the registration and supervision of charitable

societies, is being drafted by the National Community Development and Social Affairs Ministry. These laws will be enacted in 1961. Urban community development programmes will concentrate mainly on improving the 14 centres which have already been established and setting up of 6 new centres in towns with more than 20,000 population. With the assistance of the Ministry of National Community Development , emerging urban areas will develop self-help schemes of various types, provide for recreational and cultural facilities, and social development.

30. Special services for youth and for young women will be instituted in the industrialized areas where the rate of migration is increasing rapidly. While the main social problems will continue to be studied by the University, the programmes of the Ministry of National Community Development will concentrate mainly on the prevention of delinquency among the most vulnerable youth, about 4,000 homeless boys. A great variety of the existing welfare associations will be strengthened and new institutions set up with bilateral assistance to provide food, shelter, clothing and oppotunities for education, training and employment for youth. The probation service in the Addis Ababa Childrens' Home will be improved and a special study will be instituted to investigate ways and means of setting up a National Youth Service. Programmes for women will include vocational training, and the starting of community councils to provide assistance and guidance to young women. Other programmes will include services to the handicapped and assistance to voluntary social welfare agencies which sponsor approved programmes.

(c) Investment Targets and Their Financing

31. The total investment programme foreseen for urban infrastructure is summarized in the table below:

Investment Target for Urban Infrastructure[1]
($ million)

	Annual average 1957-59	1961	1965	Total 1961-65
Urban Infrastructure	NA	15.0	25.0	97.6[2]
of which Welfare Services[3]	NA	1.0	1.0	5.6

1. Does not include rural water supply whose investment target for the Plan period is about $12 million.
2. Includes water supply, sewage disposal, city streets and various other facilities. Of the total, $55 million is for Addis Ababa.
3. Includes urban government and non-government welfare services and labour.

32. The financing of urban infrastructure continues to present problems. The large incorporated cities of Addis Ababa and Asmera are already able to supply a major portion of their financial requirements from their own revenues. The Municipality of Addis Ababa expects to carry out a capital investment programme of almost $55 million. Approximately two-thirds of this total will be provided from municipal "savings", representing the expected excess of total revenues collected over the projected recurrent expenditures for the plan period. Other municipalities are also expected to provide for much of their capital expenditure from their own revenues.

33. The whole question of the appropriate tax base for big cities and towns needs to be carefully re-examined and probably reformed. Much of the revenue of Addis Ababa and Asmera now comes from the one percent tax on imports. Aside from the possibly improper interference in an area of taxation which is normally and properly the jurisdiction of the national taxing authority, it is also true that such a municipal tax is in part an unjust imposition on rural communities who are increasingly becoming consumers of imported goods. The other main source of revenue for Addis Ababa and

other large cities are the charges on pertoleum products, licence fees for business and professions, meter licence fees, and other user charges for municipal services such as water and sewage rates. Water and sanitation rates yielded $4.3 million in 1958 for Addis Ababa alone.

34. User charges in particular represent a large untapped potential for additional municapl revenues. Higher motor licence fees would certainly be justified to cover a greater proportion of the costs of building and maintaining city roads, streets and parking facilities. Rates on water and sewage can be increased where they exist, and the system needs to be established in a growing number of municipalities throughout the Empire.

35. The main type of new tax revenue, which normally provides the solid base for municipal revenues, is general real property taxation. This requires a cadastral survey and a property registration system, so that proper evaluation of property and rate assessment can be made. Addis Ababa is planning such a land survey and land registration system. Other cities must also make great use of special assessments on property owners for specific local improvements carried out on their behalf.

36. Notwithstanding improvements in their tax revenue and fees base, Addis Ababa and other municipalities will require additional supplementary sources of finance for their growing budgetary needs. Emphasis on municipal autonomy and financial responsibility suggests the need in the future to rely more on allowing local government authorities to borrow for their needs on a long-term basis. Central government guidance and guarantees of loans for approved projects, plus the provision of some subsidies, will be necessary and justified in many cases since there will always be certain specific types of capital development which will justify, in the national and social interest, the direct subvention of local governments by the central Government.

(d) Organizational Aspects

37. Urban programmes should be simple to administer because, in the final analysis, it is the municipality of each area which is responsible for carrying out and supervising its programmes, with the assistance of the Department of Municipalities in the Ministry of Interior. The larger municipalities will therefore set up effective working relationships with the agencies which provide services, while, at the same time, staffing municipal departments with competent technical personnel able to supervise and implement programmes.

38. Mention has been made earlier of the lack of adequate survey data and economic evaluation of the property ownership and registration situation in Addis Ababa and in other cities. There is lack of knowledge of the distribution of wage-earners by income, of the efficient location, espcially of low-cost worker housing development schemes, in relation to places of work, and there is still design standards and unit costs. The Third Five Year Plan places appropriate emphasis on the better organization and more adequate financing of the basic survey and data analysis activities that are to be established. The organizations mainly responsible for data collection and evaluation are the Municipalities, the Central Statistical Office, the Department of Housing and the Building College in Haile Selassie I University.

C. Housing

(a) Introduction

39. Housing facilities are basic amentities necessary for community living. The demand for housing is accentuated particularly by the rapid growth of urban populations, and the expansion of monetary incomes. The demand for urban housing cannot be fully satisfied because the extent of needs is so vast, and the nation's limited re-

sources are also required for investment in other social and economic activities, some of them necessarily accorded higher priority in the plan.

(b) Policies and Objectives

40. The controlling factor in the policy objectives for the Third Five Year Plan has to be the extremely limited resources available against an almost insatiable demand for housing. There is a pressing need for more complete, accurate and timely data on actual housing facilities and housing needs, particularly in the large and medium sized towns and cities. The Housing Survey, recently completed by the Ministry of Public Works, provides an invaluable start towards the kind of knowledge required. It is a main objective of the plan, therefore, to ensure the further improvement of statistical and factual knowledge in regard to housing. The housing department of the Ministry of Public Words will continue to study housing needs in an effort to evolve a comprehensive government housing policy.

41. There is clearly a natural market tendency for large amounts of capital, particularly private capital, to find their way into speculative building activity devoted largely to luxury and high-class housing. During the Third Five Year Plan, it will be the policy of the Government to find effective ways and means of channelling more of the limited funds into the construction of houses for low and middle-income groups. Various incentives, involving municipal tax policies and others, will be introduced so that private building may respond to the desire and demand for the required types of housing. Pending a more complete study, it is the intention of the Government to limit the amount of directly owned and directly financed government low-cost housing to be carried out in the Third Five Year Plan. The small amount to be executed for particularly needy or special groups will be carefully planned, designed and costed. A substantial portion of the cost will be recovered, either

through long-term mortgage loans from owners, or reasonable rentals from tenants.

42. In order to realize the needed expansion in housing the Government will take the necessary measures to increase the supply and quality of building materials and contractors as well as the maintenance of proper standards. Professional and technical standards will be established the building and construction industry. While encouraging Ethiopian nationals to join the building profession on the entrepreneurial and technical level and providing facilities for appropriate training, the Government will exercise strict controls to insure the observance of proper standards for materials and structures as well as of safety and sanitary requirements. Registration of professionals and formulation of codes of professional ethics will contribute to the improvement and the maintaining of high standards in the building trade. In government and municipal construction projects, wherever technically possible, employment of local contractors and the use of locally produced materials will be given priority.

43. During the Third Five Year Plan the projected expansion of housing facilities will be substantial. These projections are summarized in the table below. As far as urban housing is concerned on average 25,400 houses are expected to be built annually during the plan period. Out of these some 2,300 might take the form of modern houses of various types and standards at an estimated average cost of $11,000, whereas the remainder, or 91% would be simple, low cost conventional *chica* houses, with an average cost of $2,600.

Housing Targets
(In number of dwelling units)

	1965	Total 1961-65
Urban	29,550	127,000
Modern houses	2,650	11,500
Conventional	26,900	115,500

44. The total number of urban houses expected to be constructed during the TFYP is certainly below the number required to catch up with arrears in replacements and to bring the whole housing stock up to minimum acceptable levels. For obvious reasons this cannot be done in one five year period. However the projected rate allows for a gradual improvement. In effect, if the same rate of acceleration could be maintained in subsequent plans, it would reasonably be expected that basic housing requirements could be met within the space of one generation.

45. Under the auspices of the Ministry of Public Works a Housing Study has been completed. The Study lists four categories of houses that might serve as a basis for government sponsored low and medium cost housing projects. The average unit cost for housing (categories 1-4 recommended by the Housing Study as eligible for a government sponsored housing programme) vary from $2000-8,000. The TFYP limits the direct central government financial contributions from domestice sources in low cost housing schemes to $10 million. Because of this the plan emphasizes the need to channel the available funds to foster self-help programmes in co-operation with the municipalities concerned.

Investment Targets for Housing

($ million)

	Annual Average 1957-59	1961	1965	Total 1961-65
Housing	79	92	122	530
Conventional[1]	62	71	93	405
Modern	17	21	29	125

---

[1] Includes rural conventional housing whose investment estimate increases from $19 million in 1961 to $23 million in 1965; total for 1961-65 period is $105 million.

(c) Investment Targets and Their Financing

46. The total investment programme foreseen for housing is summarized in the table below:

47. It is expected that housing alone will absorb about $530 million over the Third Five Year Plan period, which represents a significant increase over the previous five year period. Urban housing is expected to account for $425 million or 80% of the total, most of which will be invested in conventional housing. The estimated invetment in rural, conventional type houses is approximately $105 million.

(d) Organizational Aspects

48. Development of housing projects in the cities is influenced by the activity of a variety of agencies, the Department of Municipalities of the Ministry of Interior; the Municipalities of Addis Ababa and Asmera; the Department of Housing in the Ministry of Public Works; The Haile Selassie I Foundation; the Imperial Savigns and Home Ownership Public Association (ISHOPA); the Commercial Bank of Ethiopa, and a number of public and private enterprises. There is clearly an urgent need for proper co-ordination of housing schemes. The Department of Housing, which was set up in 1959, will take responsibility for co-ordination, supervision and assistance to urban housing and will promptly begin to work out proper procedures whereby this can be accomplished during the third plan period.

49. Through its Public Buidling and Housing Department, the Ministry of Public Works will exercise supervision over the building industry in general, thus contributing to the proper execution of the urban infrastructure and housing projects. In particular, early in the TFYP period, the Ministry will prepare and submit for legislative approval:

(1) Building and Housing Codes;
(2) Technical standards for materials and structures;
(3) A (Building) Professional's Registration Statute; and,
(4) A (Building) Contractor's Registration Statute.

To ensure the effective application of this legislation and to carry out its various other functions and responsibilities, the Ministry of Public Works will have to be strengthened, not only in the central office (including the establishment of a planning unit) but also by the setting up of provincial branches as an integrated part of the rural development programme. A programme of co-operation between the Ministry and other institutions (e.g., H.S.I. University, Ethio-Swedish Institute of Building Technology, ISHOPA etc.) will be inaugurated for the purpose both of upgrading the Ministry's own technical and administrative personnel, and of providing practical experience for students during summer holidays or terms of National Service.

Chapter XIX

Tourism and Wildlife

Introduction

1. Tourism, particularly in Africa, is a growth industry of very recent origin. Even five years ago, its enormous potential was only beginning to be realized. In Eastern Africa, the unique attraction of wildlife for the average, typical tourist, rather than merely for the wealthy hunter, was becoming apparent. Hasty plans were made each year to deal with increasing numbers of tourists, but the growth in visitors was nearly always in excess of forecasts and the supply of accommodation, transport and the ancillary facilities of tourism seldom met demand.

2. It is not surprising, therefore, that Ethiopia's Second Five Year Plan paid little real attention to tourism. It is even less surprising that the connection between tourism and wildlife conservation was mentioned only in passing, and that the latter activity was considered, along with forestry and fisheries, as an appropriate sub-division of the Ministry of Agriculture. Other essential elements in the tourist business have also been recognized only lately as requiring an essentially integrated approach. Historic sites, roads, public investment, communications, immigration procedures—all these are of specific concern to healthy tourism development.

3. The main task of the next few years is to recognize that a co-ordinated inter-sectoral effort must be made if maximum benefit is to be gained from what is potentially one of Ethiopia's greatest economic development possibilities. This chapter epitomizes this approach by outlining the main problems, policies and goals for tourism in all aspects.

4. No forecast of the number of visitors expected was published in the Second Five Year Plan. A target figure was given for hotels which forecast the building of three to five hotels with a total of 600 to 800 beds. This was to provide 20% more accomodation by 1959 than at the commencement of the plan. In fact, a considerably larger number of hotels was built during the period, with a capacity close to 1,500 beds, excluding the substantial number of rooms still under construction at the end of the plan period. The reason for this lies in the growth of visitor arrivals, as shown in the following table.

Tourist Arrivals in Ethiopia 1955/56—1959/60

Arriving from:	1955/56	1956/57	1957/58	1958/59	1959/60[1]
Europe	7,350	9,540	11,480	13,570	10,660
America	4,430	4,720	8,210	8,870	5,220
Africa	3,950	2,860	2,440	4,650	1,520
Others	3,490	2,720	3,280	6,610	3,120
Total	19,220	19,840	25,410	33,700	20,520
Percentage growth	—	3	28	33	—

[1] First nine months only. Approx. 27,000 on annual basis.

5. Wildlife conservation in the Second Five Year Plan was considered mainly, and briefly, in connection with hunting. It was suggested that legislation to protect fauna be introduced and that certain game reserves be established, at an extimated total cost of $75,000. In retrospect, this seems a very modest programme and it was considererably exceeded. A Wildlife Conservation Department has now been functioning for two years. Although it faces many of the problems of any new organization in an untried field of activity—not least the lack of data upon which to base its plan-

ning—the Department has neverthless a gratifying amount of progress to its credit, with the opening of one national park (Awash), the completion of preliminary surveying and delimitation of two more (Semien and Bale) and plans for several others as well as for game reserves and bird sanctuaries.

6. It may be said, therefore, that such proposals as were made in the Second Five Year Plan for tourism and wildlife were more than achieved. What has become increasinly clear is that over-conservative planning for the future will bring a real danger to Ethiopia of being unprepared for, and thus unable to benefit from, the enormous opportunities which unquestionably exist in this sector.

B. Policy Orientation for the Third Five Year Plan

7. The need for a co-ordinated development plan for tourism during the Third Five Year Plan is recognized. This will deal not only with the main problems, accommodation and transport, but will define clearly, for the first time, the role of Government in the tourist industry. The sectors in which private enterprise is expected to play the lead will also be outlined as will investment priorities and organizational proposals.

(a) Government Organization for Tourism

8. The Government's interests in tourism are presently exercised mainly through the Ethiopian Tourist Organization (ETO), an autonomous public agency responsible to the Ministry of Information and Tourism. Wildlife affairs are the responsibility of a division of the Ministry of Agriculture, the Wildlife Conservation Department. Recognizing the importance of tourism and wildlife in general and of co-ordination of activities in particular, great effort will be made in the plan period to introduce organizational and administrative improvements in these fields.

(b) The Role of Government

9. The creation of the ETO, six years ago, marked the first recognition of the importance of the public sector in the development of toursim. ETO has now built up valuable experience of tourist preferences and demands. It is increasingly aware of the necessity for establishing priorities of action in the sector, both in terms of long-term goals and short-term programmes. It has, therefore, commissioned a major study, to be started in 1961, with the object of developing a strategy by which the Government can accelerate tourism rapidly and to the maximum effect.

10. Although it is the intention that this study shall provide clear and detailed guidelines for public and private activity (some of the directions which these may take are discussed in more detail below), the general aspects of public policy are already agreed:

(i) Wherever private investment for hotels and other tourist facilities is forthcoming, and the resultant project is conceived and managed in accordance with planning requirements for the tourist sector, the Government will give every encouragement to such investment.

(ii) Wherever private capital is not available, or insufficient, for the establishment of necessary facilities, the Government will consider direct public investment for that purpose.

(iii) Recognizing that private investors will be attracted to the establishment of tourist facilities if they can be certain that transport, infrastructure and other general services will be available, the Government will concentrate intially on the provision of such services.

(iv) In the provision of accomodation in priority areas, the Government will make initial efforts to encourage the establishment of suitable hotels by private enterprise. Where it is necessary, however, to take the initiative in the public sector, the establishment and operation of the hotel will be undertaken as far as possible under competitive commercial conditions

(v) Government controls and regulations of activities relating to tourism will be limited to those matters on which it is necessary to impose restriction in order to meet the requirements of integrated development. Particularly in Ethiopia, where the real future for large-scale tourism must lie in the package-tour approach, it is essential that minimum standards of transport and accommodation be maintained, and that one substandard facility is not allowed to jeopardize the success of the rest of the tour.

(vi) Through the medium of its existing financial credit institutions, the Government will consider the provision of credit funds for the expansion of tourist facilities. It will be clear, however, that the evaluation of projects applying for credit must take account of the overall programme, and projects of intrinsic merit in themselves will not enjoy high priority unless they contribute towards the planned expansion of tourism.

C. Targets for the Third Five Year Plan

11. The substantial annual increase in tourist arrivals over the past five-year period has been noted above. Projections for future growth in the number of visitors have been based upon realistic assessments of the attractions of the country, the investment programme and capabilities in the hotel, transport and entertainment fields, and

upon an analysis and evaluation of the experience of neighbouring countries.

12. At the present time, the average length of stay for a visitor to Ethiopia is only 4 days and total expenditure per day is approximately $66 per person. To the extent that the principal attractions of the country become better known, more accessible, and are provided with better facilities, it is reasonable to assume that the length of the average stay, and the amount spent by each tourist, will increase. Based on these assumptions, which are conservative, the following table projects a rise in the number of visitors in 1964/65 of about 300% over the present figure estimated for 1960.

Projected Annual Growth of Tourism 1960/61—1964/65

Year	Thousands of visitors	Percentage growth	Average length of stay (days)	Spending per person per day ($)	Total spending per tourist ($)	Total receipt from tourism (in million $)
1960/61	36	20	4.00	66.3	265	9.5
1961/62	45	25	4.10	67.6	277	12.5
1962/63	56	25	4.25	69.3	295	16.6
1963/64	79	35	4.35	71.0	309	24.5
1964/65	107	35	4.50	72.8	328	35.0

Receipts from tourism, some $9.5 million in the first year of the third plan, are estimated to rise to $35 million by the end of the plan period. It is to be noted, however, that only a very modest increase in length of stay has been projected. An addition of a full 50% more to this figure would be achieved if the average visitor can be persuaded to spend only two more days in the country.

13. In order to achieve these targets for additional visitors, and particularly to attract them for longer periods, it will be essential to enhance the present tourist interests of the country. Subject to the detailed recommendations of the survey shortly to be undertaken,

the priority areas for development in the next five years are considered to be the following:

(i) *Areas close to Addis Ababa.* Ethiopia is fortunate in that many places of interest are accessible from Addis Ababa, in which tourist facilities are already reasonably well developed. These places include the Blue Nile Gorge, the Awash National Park and the Rift Valley lakes area. At all of these, feasibility studies will be undertaken to determine demand, location, and type of accommodation required to increase the number of visitors to the area. In particular, the provision of accommodation in Awash National Park is urgently required, as is the building of a tourist standard hotel at some mid-point, preferably near the Blue Nile Gorge, on the road between Addis Ababa and Bahir Dar.

(ii) *Other priority zones.* Gambella, with abundant game and luxuriant vegetation is considered to have great possibilities, but no accommodation presently exists and road transportation is unreliable and infrequent. A study will be undertaken for development of this area, to determine the likely benefits which would flow from the undoubtedly considerable capital inputs required.

(iii) *Dire Dawa and Harer.* Although this area is reasonably well served with accommodation, the historic and scenic interest of this part of the country, together with its attraction for visitors from Djibouti, gives it a potential for further development, which is now being examined.

(iv) *Asmera and the Red Sea Coast.* Very great possibilities exist for the expansion of tourism in northern Ethiopia, based on Asmera. Asmera itself will be well served with hotel accommodation when the present building programme is completed. In addition to the intrinsic interest of the city and its surroundings, it is conveniently close to the Port of Mitsiwa and the off-shore Dahlak Islands. Particular attention will be given, in the forthcoming study, to the feasibility of large-scale development in this area, particularly with a view to attracting holiday travellers, looking for sunshine and sea, but disenchanted with the crowded beaches of the Mediterranean.

(v) *The "Historic Route"*. The attractions of the "Historic Route" are already becoming well-known to tourist operators; the cultural and scenic interests of the main places visited are quite unique. At present, however, the standards, availability and quality of accommodation and facilities from one place to another vary markedly, as does ease of access. Expansion plans for this route, therefore, will concentrate upon providing adequate, comfortable and clean accommodation and food at each stop-over point, rationalization and improvement of transport facilities, and the preservation, maintenance and proper presentation of ancient sites and monuments.

(vi) *Wildlife*. Some of the proposals for exploiting the game resources of Ethiopia for tourism have already been described. In addition to a programme for rapid expansion of facilities at Awash National Park, the development of a small national park in the Semien mountains, habitat of the unique Walia Ibex, with road access and some modest accommodation facilities, is considered of high priority. Plans are also in hand for the establishment of a national park in the Bale mountains, habitat of the Mountain Nyala, a species which does not exist outside Ethiopia.

14. Other proposals in this sector include the establishment of reserves for the conservation of game, particularly rare and threatened species, as well as for the enjoyment of visitors.

15. In the field of wildlife conservation, two other matters require high priority. Firstly, the enactment of suitable and adequate legilation is urgently required, to enable national parks to be legally established and to give the authorities the necessary powers to protect game and restrict illegal hunting and poaching. Suitable legeslation is now in draft and it is hoped to enact it early in the plan period. The second important actvity is connected with conservation research. The UNESCO report underlined the importance of a scientific basis for wildlife management; it is essential to have basic ecological data before proceeding with the definition of park boundaries, for example, or the issuing of hunting licenses. Without such data, there is a serious risk of spoiling the remaining wildlife resources of the country, not only through the omission of conservation measures but through over-protection of certain species and the upsetting of the natural balance.

D. Required Inputs

16. *Capital investment programme.* Precise details of a capital investment programme for the development of tourism, and the proportions required from the public and the private sectors, must await the detailed recommendations and acceptance of the forthcoming major study. Some projections have, however, been made of the needed amounts of investment if the targets for the plan period are to be achieved. The detailed location of projects, priorities in construction, timing and organizational proposals, are yet to be agreed upon; but, if tourism is to increase by the desired amount, the accommodation and infrastructural facilities must be provided; the eventual expenditure is likely to be of the order of that shown in the following table.

Tourism—Projected Gross Capital Investment 1961—1965[1]

($'000)

Item	Total	1961	1962	1963	1964	1965
1. New hotels and improvements to existing hotels	20,000[2]	500	4,450	6,450	4,300	4,300
2. Provision of vehicles, construction & improvment of tourist roads	2,030	—	530	530	500	470
3. Toursim studies & staff training facilities	2,070	500	340	410	410	410
4. Special projects (exhibitions, tourist villages) and ancillary services (souveniers, handicrafts, etc.)	1,400	—	300	300	400	400
5. Wildlife—National Parks and Game Reserves.	1,500	450	500	300	150	100
Total	27,000	1,450	6,120	7,990	5,760	5,680

1. Includes expected expenditure by both public and private sectors.
2. Excluding Hilton Hotel.

17. *Manpower needs and training*. The requirements, in terms of hotels and other services projected in the table above, will result, even if locational and size details differ, in a sharp increase in demand for staff, particularly trained hotel staff. Current employment in the hotel business is approximately 1,700 and the forecasts for five year period imply an increase in this number, by the end of the plan period, by 500 persons, or 30%. Tourism, being an industry like any other, calls for a range of specialized skills; the opportunities for unskilled labour in, for example, the hotel business are few. Other countries with a signficant tourist industry have recognized the need for vocational training, whether it be of hotel-staff, guides, or national park rangers. It is evident that the main responsibility for such training must rest with the public sector. Private training in the hotel business does not ensure a minimum uniform standard of staff; conversely, the existence of a pool of experienced employees, trained at government expense, provides a substantial inducement for the private sector to invest the necessary capital in providing the facilities which tourism requires. The establishment of a hotel training school by ETO is, therefore, considered a high priority for the third plan period and

will be implemented as soon as financial and organizational resources are available.

E. Organizational Aspects

18. (i) The role of government in the development of tourism has already been discussed. The main objectives of government policy will be to prepare, publish and adhere to a specific development programme; to encourage the activities of the private sector in assisting tourist expansion; and to co-ordinate the efforts of the many organizations and individuals involved.

(ii) The Ethiopian Tourist Organization has already started valuable work but its legal and financial powers must be widened to enable it to act as the principal government instrument for development in the sector. At present, ETO is largely concerned with the encouragement of tourism by publications, advertising, and other propaganda methods. For the future, its functions will have to be re-oriented towards emphasizing much more deeply its executive position in the carrying out of government policy. This will cover such matters as research, co-ordination between departments, maintenance of standards and assistance with evaluation of applications for government financial assistance. It is intended to pay particular attention to the proposals of the consultants in this respect, to ensure that their other recommendations, relevant to accomoodation and transport facilities, as well as to the programme for government involvement, are not frustrated by the lack of an appropriate and efficient organization, able to achieve the desired results.

(iii) It seems likely, even before the consultants' report is ready, that the major portion of government expenditure (as distinct from the government effort) for the development of tourism is likely to be in the extablishment or in expansion of hotel accommodation, either alone or in partnership with private enterprise. It is not appropriate to decide on the best institutional arrangement for making government finance available until further details are known. The government is already substantially involved in the hotel business, either through direct ownership or through the interests of its financial intermediaries. As soon as final requirements are determined, it will have to be decided whether they warrant a specific financial institution for credit and investment, or whether the services offered by the existing financial intermediaries will suffice. Similarly, the adequacy of the financial incentives now available to investors is being examined, to determine whether they provide sufficient inducement to attract the amount and type of investment which is needed for hotels.

(vi) The Government recognizes fully the value of tourism to the economy; particularly its contribution to foreign exchange. This explains the importance it has been accorded in this plan. As the economy grows, so will the need for attracting more and more tourists; and it is the Government's intention to continue to give in its future plans, the necessary support and encouragement to the development of this industry.

Chapter XX

Regional Aspects of the Third Five Year Plan

Regional Development Policy Objectives

1. Regional planning has usually two main obectives: to maximize growth and productivity of the whole economy, and to redress gross geographical disparities. These two objectives are necessarily, at least partially, in conflict with each other. The stronger and the more developed an economy is, the easier it will be to balance and redress inequalities. On the other hand, for relatively poor and less developed economies, it will be essential to stress the development of those areas of the country which promise the greatest stimulus to the development of the economy. Rarely can this important policy of choice be lear cut; generally it will be a matter of relative emphasis. Emphasis will be influenced by social and political considerations.

2. The conflict between balanced regional growth and maximum economic advance is obvious in Ethiopia. Historically there have been disparities in levels of economic development among the various regions of the country, but until recently, with few exceptions, these have not been great. It is realized, however, that the process of rapid economic advance, which entails the most efficient allocation of resources, both sectoral and spatial, is bound to favour certain areas of the country—those with greater endowment of natural resources and with locational advantages. Major river basins (and lake areas) with fertile soils, relatively accessible: extensive dry farming areas with good soils, suitable topography and climatic conditions; areas with attractive tourism or mineral resources, etc, are the regions whose development is of vital improtance to the national economy. All areas cannot benefit equally

from the growth process. Only when national income has been raised, in part as a result of the investment in the more advanced areas, can the country spare the resources to compensate the less well endowed areas.

3. If the regional development of Ethiopia, however, were to be lemited to only a few better endowed areas, the process would bypass the majority of Ethiopian farmers now engaged in small-scale, largely subsistence, production; the traditional artisans; and the populations of most market towns. Furthermore, the major regional development projects will tend to benefit from existing metropolitan centres where processing activities will continue to be concentrated. In the long term, rapid economic growth cannot be sustained unless the productivity and *per capita* income levels of the great mass of the Ethiopian people are significantly increased. This objective is also consistent with the need to spread more broadly the benefits of economic development, in order to overcome regional income disparities.

4. During the third plan a start will be made by assisting the people in a limited number of regions to initiate and carry forward the process of economic growth. Those who show the highest level of initiative, who are willing to contribute to integrated development plans, and who are able to organize for development, will be offered technical consultants to assist them in the formulation and implementation of economic development projects. Particular attention, where relevant, will be given to the inducements for the establishment of new urban growth centres within the regions which show themselves eager for development.

5. Local efforts will be reinforced by a concentration of government-financed activities in designated regions. These activities will consist of a balanced "package" of inputs to accelerate both economic and social development. The inputs will be concentrated in market towns which have the potential to become growth centres,

supplementing the economic and social development activities of the larger urban growth centres. In such areas, technical assistance, the required physical inputs and credits, will be made available to farmers. The concentration of inputs, in a relatively small number of town growth centres, should lead to more confidence, more experience, and a more rapid expansion of regional development programmes, than if the inputs were initially spread far and wide.

6. Government policy will encourage the identification and planning of major regional development projects for completion by various operating agencies. Mining and tourism will contribute significantly to regional development. Both the manufacturing and artisan industry sectors will play their parts in the regional development programmes. The number of community development centres will be increased from 33 at present to 100 by the end of the third plan period. Regional projects of all types will be supported by the development of transport and communications, and by agricultural, education, and health services.

7. The main regional development projects, which have already been identified to a certain degree, and which will be strengthened or established during the third plan, are summarized in the following sections. Others will be established later, as determined by further study.

A. Recent Development

8. The second plan broadened the infrastructural base for development over an increasing number of regions. Highway construction made progress; electric power generating capacity increased in accordance with the plan, and the electric transmission system was expanded. A start was made toward strengthening and establishing services to support the development of agriculture, including marketing and credit. Education and health services reached a wider population, and statistical services were improved.

9. The additional information obtained uring the second plan, on the potential for agricultural development in various areas, has added considerably to the base for regional development planning. The national rural and urban sample surveys carried out by the Central Statistical Office have provided an invaluable first step toward an informational framework for regional analysis. For example, the soils of the eastern, and the northern highlands (and to some extent the Chercher highlands) appear to be seriously overworked, often nearly depleted, and extensively eroded. Overcrowding has resulted in little margin being left. On the other hand, those *awrajas* of apparently high potential value from the point of view of soils and water, are in relatively remote areas and are less populated.

10. The south-west highlands, especially Kefa and Illubabor provinces, have very promising soils, high rainfall, and a high concentration of government land, but intensive survey is absolutely necessary both to determine their best path of development, and to guard against their deterioration.

11. The FAO Freedom-from-Hunger-Campaign fertilizer demonstration trials, which will be continued and greatly expanded, have substantially advanced knowledge of the regional pattern of soils; they indicate the profitability of fertilizer use in peasant commercial production in the highlands, provided that fertilizer distribution and sales can be effectively organized. Significant response to nitrogen and phosphorous has been found, particularly in the highland of Shewa, Arussi, Welamo and Kefa.

12. Preliminary analysis of crop-cutting experiments show that many farms in Chilalo, Yerer and Kereyu, Jibat and Mecha, Chebo and Guraghe *awrajas* show relatively high yields of cereals under traditional practices (over 10 to 12 quintals per hectare).

13. There are significant areas of rich alluvial soils, particularly in the Middle Awash Valley; to some extent along certain other rivers (e.g. the Gash, Baro and Borkena) and in the shore areas of Lakes Abaya and Chamo. Many of these seem to be potentially suitable for agricultural exploitation on modern lines (dry farming as well as irrigated), and all these areas will be investigated for feasible project identification during the third plan.

14. Along the east-central escarpment there are areas, exemplified by, but not limited to, the Borkena and Robi valleys and the Kobo plain, which, from the point of view of soils, can be much more intensively and productively utilized.

15. Finally, the Blue Nile survey, completed in 1957, has greatly enlarged our understanding of the potentialities of this basin.

B. Development of River Basins

16. The knowledge of Ethiopia's water resources, and their potential for development, is still limited, although progress has been made in recent years. The Awash river basin has been studied comprehensively; development is in progress and will be intensified during the plan period. A preliminary study of the Blue Nile basin was made. A survey of the Wabi Shebele basin was recently initiated. Surveys of the northern part of the Omo river basin, of the Tekkeze basin, and of the lake region in the Rift Valley will be started early in the third plan.

17. *Awash River Basin.* The Awash river basin covering some 70,000 sq. km. is centrally situated. The rail line between Addis Ababa and the port of Djibouti runs through the upper, middle and eastern part of the valley, while the Awash-Tendaho road which is due for early construction will make the length of this basin from Awash to Tendaho more readily accessible. The valley has a varied climate, ranging from the relatively moderate, well-watered

upper basin, to the hot and arid lower plains. The centre of the basin is very sparsely inhabited by semi-nomadic pastoralists, while the upper reaches are faily densely populated.

18. The present development is restricted to rainfed farming in the upper part of the valley, the production of electric energy in the upper middle part, with a storage reservoir and three power plants, and finally, a few irrigated plantations (totalling 22,000 ha.) growing mainly cotton and sugar, as well as areas of small holders (flood irrigation: 11,000 hectares, mainly in cotton). The total irrigable area is 33,000 ha. including a number of small plantations. A UNDP-assisted survey has shown the presence of good irrigable soils, mainly in the middle valley and the lower plains. The plan foresees the development of a futher 34,000 hectares of irrigated land and preparations are being made to develp these areas. This is an area that can be developed without the construction of more reservoirs, or provision of additional water, according to the UNDP report. A substation of the Institute for Agricultural Research has been established near the irrigation project area.

19. The Awash Valley Authority was established in 1954 as a chartered agency, charged with the task of administering and developing the natural resources of the valley. The AVA is *inter alia*, empowered to conduct, and has conducted, surveys of the valley, to administer all water rights in the valley, and to control the flow of water of the Awash river, to co-ordinate the activities of all government ministries and public authorities in respect of the use and development of the resources of the valley, and to establish plans and programmes for their use. The Government full intends to strengthen the Authority's organization to meet these tasks and, as far as possible, to use the AVA as a model of regional development organizations.

20. The Third Five Year Plan foresees the following actions in the valley:

(i) institution of measures for water control, rights of water use and charges for water;

(ii) decisions on the forms of agricultural exploitation;

(iii) sociological and demographic surveys, and the introduction of environmental health measures;

(iv) study of livestock and the grazing capacity of certain areas, with a view to assessing the possibilities of increasing livestock and integrated irrigation-livestock development;

(v) completion of a number of engineering and feasibility studies with a view to bringing an additional 34,000 ha. under irrigation (a process already in progress), and completion of the necessary works. These include 10,000 hectares at the Melka-Sadi Amibara area. Preparatory studies of additional works to be executed in the second half of the TFYP, and in the Fourth Five Year Plan, including measures to increase the water available for irrigation during the months of low river flow;

(vi) completion of infrastructure required for exploitation of the tourist sites in the valley;

(vii) studies for the establishment of agro-industries.

21 *Other Basins*. In order to provide a sound basis for further regional projects and to permit their proper evaluation, systematic investgation of several sites in the Blue Nile basin, an intergrated study of the various and complicated prospects of the Rift Valley southern lakes region, continuation of the French-assisted survey of the Wabi Shebele basin, and the initiation of surveys of the Tekkeze and upper Omo river basins, will be important parts of the Third Five Year Plan. (See Chapter VI on Natural Resources, for dis-

cussion of these investigations). Another study will be undertaken to determine the agro-industrial potential of the Erer-Gota area. On the basis of these studies the necessary measures will be taken to encourage the development of the area both socially and economically. Erer-Gota represents one of the most promising areas in the country for this type of development. Its location is especially advantageous for exports; the soil is of good quality; although precipitation is limited, the possibility of underground water for irrigation is good; the potential for hydro-electric power is equally promising. The realization of these potentials will provide ample opportunity for the future development of the peoples of the area.

C. Package Programmes

22. Agricultural development, particularly among small peasant farmers, can be accelerated through a concentration of activities in relatively small, sharply defined "regions." The Government accepts this approach, and accordingly, with the substantial help of the Swedish International Development Agency and Ethiopian countrepart funds, has established the Chilalo Agricultural Development Unit as the first of what is planned to be a series of "package programmes." This project in Arussi province is a ten year scheme for raising the level of peasant agriculture.

23. The package concept implies the co-ordinated application of a number of related actions, such as provision of transport, marketing services, credit, as well as a related set of essential agricultural actions, such as distribution of better seeds, dissemination of information on improved agricultural practices, promotion of fertilizers, etc. Such projects do not have to cover all the suggested range of activities. Package projects can be modest and limited, or intricate and complicated, involving almost all spheres of govern ment and even private activity. The Chilalo project is a relatively

complex and elaborate scheme which is viewed as a full-scale experiment in this kind of economic development.

24. The justification for a policy of concentrating Government funds and activity in relatively small areas arises from other considerations as well. When skills and funds are all scarce, a policy of concentration is desirable simply because there are not enough of such resources to cover the entire country. Indeally these areas should be selected in which the returns to such concentrated action would be highest. It should be recognized, however, that even when data and analysis are insufficient to justify clearly the selection of certain areas over others, there are economies resulting from the concentration of resources in small areas, by virtue of the integration of the activities.

25. The Government is preparing another package project in the Welamo *awraja* with the help of the World Bank/FAO Co-operative Programme. This project differs in an important respect from the Chilalo project in that resettlement from the over-crowded highland portions of Welamo to the relatively promising lowland areas, particularly on the northern plains above Lake Abaya, has been included as a prominent feature.

26. The Government during the Third Five Year Plan will identify at least three additional package project areas and begin operations. Under consideration for possible selection are the following areas: near Debre Zeit; along the main escarpment road from north-eastern Shewa up to south-central Tigre; the lands around Lake Tana; the northern areas of Bale in the upper Wabi Shebele basin; central Gojjam; the southern slopes of Chercher.

27. A prominent feature of the regional pilot package approach is the *external assistance* required, not only in funds but expecially in experienced field personnel, at least for the initial phases of such

projects. Therefore, external aid sources will be identified and agreements reached before further projects are started.

28. The disadvantages of this policy of concentrating resources in sharply limited areas with relatively intensive programmes of development, should also be recognized. These projects are costly in the sense that scarce Ethiopian personnel must be concentrated in a few areas. The value of the training, and the experience of working within a systematic and well organized framework, however, generally greatly outweigh these disadvantages. The results, however, cannot be expected to increase production sharply in the near term. Package programmes must be seen as a part of a long, slow, experimental and gradual diffusion process of the transformation of traditional peasant agriculture.

D. Agricutural Settlement and Resettlement Policy

29. A gradual but accelerating shift in the agricultural population will begin to be seen during the third plan, from the present overcrowded northern and central highlands to the lowland areas, and in a still longer run, to the south-western highlands (and those parts of the sourthern highlands where population pressure is not a problem). Because of the large costs, careful and intensive surveys, research, and initial preparatory and pilot activity will have to precede government resettlement schemes. In the meantime careful evaluation will be made of the experiences of relatively small-scale settlement projects now being undertaken in the middle Awash and in Welamo.

30. The south-west highlands of Kefa and Ilubabor provinces and parts of Wellega, Gemu Gofa, and possibly the northern parts of Bale provinces, represent clear potentialities for the future. The south-west highlands in particular are distinctly under-populated and under-utilized at present. Their potentialities and land-use will be carefully examined to take advantage of this rich natural re-

source and to see that it is not inadvertently destroyed before it has been able to contribute to agricultural development.

31. The entire southern Rift Valley from Lake Zwai down through Lake Chamo is another potential but quite different region for resettlement. It is unevenly developed and settled at present. Its potentials are not sufficiently well known and require intensive study during the third plan period before substantial investments can be made. If development succeeds in promoting expansion and prosperity in selected areas, resettlement, in the form of migration from over-populated areas, will be promoted, to the advantage of both areas.

E. The Setit Humera Region

32. Spontaneous development has occurred during the last five years in the north-west corner of Begemdir province in the Setit Humera sub-district. This is the border lowland area below the Tekkeze (Setit) river. Cultivation of these flat, semi-arid plains (with about 500 to 700 millimeters of annual rainfall) has grown in the past five years from almost nothing to possibly 140,000 hectares. The cultivation is on dark cracking clay soils approximating the "black cotton" type, which are quite promising, though heretofore almost unused by the sparse population of semi-nomadic herdsmen. Dry farming is in large blocks of 400, and even 1,600 or more hectares. Wheel tractors are used with wide-level discs for land preparation. Tens of thousands of migratory workers, mostly from Tigre and Eritrea, are used for sowing, weeding, and harvesting of sesame, cotton, and sorghum. The significance of this spontaneous development for Ethiopian commercial farming enterprise can hardly be overstated.

33. The further development of these rich soils in the warm, low plain will be encouraged and accelerated as a priority policy. The area may well become a new and major support of the agricultural

economy of Ethiopia. Capital investment costs for extensive dry farming are far lower than for either major irrigation projects or large-scale government resettlement. Returns tend to be much higher and quicker than for comparable investments in the highlands. Sesame can become an increasingly prominent foreign exchange earner, cotton can be expanded to meet the domestic demand, and low cost sorghum will contribute heavily towards meeting the grain deficit of the northern highlands. There are related possibilities of expanded cattle production in the adjoining areas. The model presented by Setit Humera development can be most significant for the similar development of large comparable areas all the way south along the western lowlands. These areas need thorough survey, investigation, water supply exploration, the institution of advanced applied agricultural research, and the provision of agricultural services, especially for pest and weed control, improved mechanization and crop and variety improvement. Their intimate settlement and development will also require infrastructure in the form of roads, and schools and health facilities.

34. Land tenure conditions will pose a critical problem. Forms of leasehold arrangements are now under consideration for early policy decision. This development does not require truly intensive surveys, massive investments, or intricate regional administrative arrangements. Supporting services by government agencies are the keys to maintaining the expansion. In view of the high priority the Government is attaching to the stimulation of such development, a composite project for expansion and improvement is now being considered by the IBRD/FAO Co-operative Programme, with a view to international financing. This recently conceived project could become an important part of the Third Five Year Plan. A special unit in the Ministry of Agriculture is being established, to take responsibility for integrating the project's programmes in agricultural production, grain marketing, farm credit, land reform, road building, air transport improvement, the development of water resources, and provision of health and education facilities. Policy

co-ordination between the separate agencies will be assisted by the Ministry of Planning and Development.

F. Regional Livestock Projects

35. *Southern Region*. The southern livestock region of Ethiopia includes the southern part of Shewa, all of Gemu Gofa, Sidamo, Bale and Arussi, and much of Harer province. The area covers about 388,000 square kilometers. *The Livestock Survey of Southern Ethiopia*, completed in 1955, indicated a cattle population of approximately 8 million,[1] a large portion of which is of the Borena breed, accepted as the best breed of beef cattle within the country, and probably the best indigenous breed of East Africa.

36. The area has great potential for increased livestock production. Large areas of good grazing land are used for only a few weeks each year, or not at all, mainly because water for stock is unavailable. Disease takes a heavy toll, and marketing is not well organized. The area makes little contribution at present to the Ethiopian economy. The potential could be realized by improving water sources, initiating proper range and livestock management, by providing disease and parasite control, and by improving the marketing facilities of the region.

37. *The Southern Region Integrated Livestock Development Programme*. The long-term objective is the improvement of commercial livestock production and marketing within the entire southern region. This objective will be realized through the setting up of *pilot Management Units* during the development period. (These began late in the second plan). The programme will be a joint effort of the Government and USAID. Activities will include:

---

[1] It was also estimated that there are 15 million sheep and goats, 347,000 horses, 14,000 mules and donkey, and 270,000 camels in the region.

(a) the completion of the first half of the demonstration area near Yabelo by 1962, and of the second half by 1964; a second area near Adami Tulu by 1962; and the first half of a third area in the Awash Valley Alledeghi plains by 1963;

(b) the establishment by 1964 of a system of improved stock routes in the area;

(c) the establishment by 1961 of a mobile veterinary service for the pilot and surrounding areas;

(d) the establishment, by mid-1961, of an extension programme for the pilot areas; and by 1964, of an effective livestock extension programme, in other parts of the southern region;

(e) the provision by 1963 of marketing centres at Mega, Yabelo, Dilla, Moyale and Negelle; and,

(f) the development by 1963 of enough additional holding areas along the major cattle routes to provide a stable supply of cattle for the market.

38. It is expected that as a result of the above there will be a reducetion in calf deaths (first year life) to 10% in the pilot areas by 1965, and a similar but lesser effect in surrounding areas. Further, it is estimated that there will be a decrease in the average age of marketed animals, from today's estimated eight years to five years, in the pilot areas, and a similar but smaller effect in surrounding areas.

39. When these objectives have been attained in the pilot areas, and when extension programmes have carried the example to other parts of the region, the region should find no difficulty in increasing annual take-off for slaughter, from the present low of about 3% to a target of 9% by 1970.

40. *Income and Cost Estimates.* Economic analysis of this project indicates a probable rate of return on the investment of about 35% for each management unit. Increased production from the project will make an important contribution to foreign exchange needs, through the export of additional beef and livestock products. Direct benefits from the three pilot management units will accrue to as many as 5,000 nomadic families, who have hitherto been at or near the subsistence level. The income of the individual cattle owner will rise steadily. This is of the greatest importance, because, unless people receive incentive, they cannot be expected to participate in the project. In the design of the project, careful attention has been paid to the way the Government will recoup both its original investment and its operational costs.

41. *Organizational Measures.* In view of the scarcity of technical personnel in Ethiopia, the orgainization of these livestock development programmes is based on their most effective utilization of a minimum number of technical personnel and a minimum capital investment. For example, only one range manager and 16 assistant range managers will be required for each 80,000 head of cattle on the newly developed range areas.

42. *Other Regions.* Whereas the known potential of the Southern Livestock Region warrants immediate priority, an assessment of the livestock resources of other regions of Ethiopia is also of great importance in the long-term development of the industry. A similar type of range development programme to that described in the foregoing Pilot Management Units, may be adaptable to other regions. When the present programme has proved itself, it should be applied elsewhere as rapidly as possible. Opportunities for large-scale production of commercial food-stuffs, in several other areas, need careful investigation. During the third plan, therefore, studies of livestock potential will be carried out, with particular attention to the northern provinces, so that livestock production can be measurably increased in that region as early as possible.

G. Programme to Support Local Initiative

43. The regional development programme will give attention to projects which help people establish and finance their own local development plans, as well as to the major projects which utilize some outstanding physical resource. A number of regions have already distinguished themselves by their display of local initiative. In a sense they have already "selected" themselves as potential "development regions" for which government support is clearly indicated.

44. Programmes for local initiative will vary from one region to another. However, the characteristics of a successful regional programme will always include:

(a) wide-spread discussion within the region of possible development objectives, and projects:

(b) establishment of a regional organization to administer funds and to execute projects, staffed by technically qualified individuals enjoying the confidence of the population:

(c) selection of priority projects by the regional development organization, including a well considered mix of those which will bring immediate economic benefits, or satisfy social needs; and,

(d) communication concerning the projects to the population of the region, with the aim of obtaining continuing financial contributions and support.

45. *Assistance to be given.* Each development region to be assisted by the Central Government will have its own set of problems which will require particular types of assistance. The following needs, to be met by the Government, appear to be the most common:

(a) assistance in preparing an inventory and evaluation of resources, including, for example, available land and its potential, labour supply and skills, variety and volume of commodities traded, institutions established, etc;

(b) analysis of current projects now sponsored by various government agencies, and of those recommended by local groups, all in the context of the area programme;

(c) assistance in recommending and preparing priority projects for implementation;

(d) matching funds, in the form of long-term loans by a financial intermediary, for projects—public or private—which show a significant economic return; and,

(e) long-term assistance in economic analysis and in development administration, including the training of local people for leadership, and in various specialized skills.

46. The distinguishing feature of these plans, for each region, is that they will not require externally established aims and timing. Encouragment of such regional development planning will stimulate local initiative.

H. Co-operatives

47. In Ethiopia co-operation seems to be the best way of mobilizing the latent organizational and financial capacity of farmers, as well as of artisans, and of people engaged in cottage and small-scale industries. For this reason, development planning has laid empasis on increasing use of co-operation in a wider range of productive activities; in view of the overhelmingly agricultural character of the economy, its greatest use will be in the rural sector. Multipurpose agricultural co-operatives are one of the best institutional

forms for carrying out complex programmes necessary for the development of peasant agriculture. Knowing this, the Ministry of National Community Development and Social Affairs has achieved some promising results during the SFYP period. During the second plan, a co-operative society legislative law was enacted, 14 co-operative societies (12 in agriculture) were established and registered. Despite these and other achievements, the programme has been hindered by the shortage of trained co-operative personnel and by lack of credits.

48. The third plan will again stress the creation and expansion of co-operative societies designed to encourage community self-reliance. During this plan period, at least 300 new co-operatives will be established or expanded and registered. About 250 of these will be multi-purpose agricultural co-operatives, primarily covering credit supply, production and marketing; the remainder will cover artisans and small-scale industries.

49. By 1965, it is expected that co-operatives will directly benefit about 1.5% of the total population. The expansion of agricultural co-operatives will be largely based on the "package programmes" in selected development regions. These co-operatives will be the main instrument for taking agricultural development down to the "grass roots."

50. A National Co-operative Board will be set up under the chairmanship of the Minister for National Community Development and Social Affairs, with representatives of other relevant ministries and government agencies, banking and commercial organizations, and the co-operatives, to advise on the future course of co-operative development. Special attention will be paid to the problems of managerial responsibilities.

51. In 1961 the Ministry of National Community Development and Social Affairs will construct and develop a Co-operative Training

Centre at Awasa, to train co-operative society organizers, managers, and other necessary workers, as outlined in Chapter V on manpower. However, the great need of the Ministry is for middle grade staff capable of giving the necessary guidance and help to farming communities which desire to establish co-operatives.

52. To carry out the programme of co-operative development during the third plan period, a National co-operative Investment Fund will be set up; it will be administered by a special co-operative credit section in the Development Bank of Ethiopia. It will dispose of about $26 million in investment loans for fixed assets, and for working capital credits. An additional $0.4 million for capital and $4.5 million for recurrent costs, and for government services to co-operatives, including training, will be allotted. Out of the total expenditure of $32 million for fixed capital investment and working capital, and about $4.5 million for recurrent costs, the agricultural co-operatives will absorb over $34 miilion. It is expected that contribution of co-operative members to investment funds will reach about $5 million during the TFYP.

53. *I.E.G. Organization.* It is proposed that the existing Community Development Board, with representatives from the Ministeris of Community Development and Social Affairs, Agriculture, Interior, and Planning and Development, will be strengthened and made responsible for initiating, administering, and financing the programme for local initiative. The Board will recruit, train and lend highly skilled individuals to regional development organizations to assist in the implementation of locally prepared plans. The development financial institutions will have to increase their lending capacity, and extend their services to the regions being assisted. A problem may be long-term foreign credits, to be negotiated by the financial institutions, for the import of capital equipment necessary for the needs of the regions.

I. New Urban Growth Centres

54. In the course of the third and subsequent five year plans, the establishment of secondary and tertiary activities will naturally tend by itself to concentrate in too few urban centres. At present, whatever has been achieved in economic and social development, and particularly in industry, is mostly concentrated around Addis Ababa, Asmera and very few other cities. This has led too many able-bodied men to leave the countryside to seek employment in these cities. If not checked, this tendency will have grave economic and social consequences for both the cities and the countryside. It is the Government's policy to counter this tendency by promotion of urban growth centres other than Addis Ababa and Asmera.

55. The urban growth centre will in time influence the growth of the surrounding region. Processing plants and marketing facilities will encourage agricultural production. Locally supplied and, later, locally manufactured inputs for agriculture will also accelerate growth. Financial institutions required by the urban centre will also facilitate the growth of agriculture. Enterprises providing products and services to agriculture will develop in the urban centre and will provide an extension system, paralleling that established by government agencies.

56. Modern small-scale artisan industry will soon replace and supplement traditional handicrafts. New products will be available, such as apparel, footwear and furniture. Repair facilities will be available for machinery, such as pumps and tractors.

57. Certain manufacturing or processing industries would enjoy economic advantages if located in a new urban growth centre, for example, the processing of agricultural or forest raw materials for a growing regional market or for export. A few other industries can exist anywhere; they might be attracted to the growth centre: for example, certain textiles and apparel. Particular note should be

taken of the possibility of using power-looms and simple knitting machines for the manufacture, in the urban growth centre, of textile products for the regional market.

58. Centres should be on, or linked with, main highways. They should have enough surface or sub-surface water supply for multipurpose uses. They should generally be in well populated regions, so that people scattered around them might ultimately be regrouped in them. Localities having greater native resources for future industrial, agricultural and other development will as a general rule be given preference.

59. An urban growth centre providing new job opportunities and cultural attractions will be able to retain a portion of those individuals who tend to migrate from the countryside through urban growth centres to the large cities. At the same time a portion of the unemployed will also be retained as economic growth increases opportunities for employment.

60. In order to attract new processing and other industries to the urban growth centres, the Government will provide the requisite financial and related incentives. During the first year of the plan, the Ministry of Commerce and Industry will prepare policies designed to promote the establishment of new activites in urban growth centres.

61. To encourage growth at the designated centres the Government will establish schools, health centres, water and power supplies, improved housing, agricultural extension services, communication services, market facilities, and credit institutions.

62. The growth centre programme will concentrate government local investment in balanced "packages," initially in a limited number of pilot localities. This concentrated approach will improve the welfare of people more rapidly than if government investments were to be scattered over wider areas. Sufficient provision to ac-

complish an initial programme for town growth centres has been made in the third plan. The programme requires only that the activities already planned in agriculture, industry, education, health transportation, etc., should be concentrated in the designated centres. What is needed is the integration of the plans of the various ministries and agencies, and effective collaboration in executing them.

J. Organizational and Institutional Measures

63. The Ministry of Planning and Development, under the responsibility given to it by the Ethiopian Government, will ensure that the regional development programme is integrated into the national development plan, and that individual regional development projects are consistent with national economic interests, and are implemented according to the plan. The success of the regional development programme, once integrated into the national economic plan, depends largely on competent implementation. Close co-ordination will be required, both at the centre and in the regions, among all the agencies contributing to each project. Implementation of projects requires periodic evaluation, to determine the continued adherence to the national plan, the maintenance of time schedules, and the effectiveness of the project administration. Efforts to obtain external assistance for regional and local projects must be centrally synchronized. A Regional Development Policy Committee will be established comprising all development ministries and agencies. The Regional Unit of the Ministry of Planning will serve as its secretariat.

64. The anticipated need for assistance for regional development projects will be met in part by a strengthened Regional Section of the Ministry of Planning and Development. The Regional Section will be staffed by experts trained and experienced in regional economics, agricultural economics and agronomy, engineering, manpower training and development, physical resource development

(particularly water resources), and regional development administration. The section should aim to maintain sufficient capacity and mobility in order to undertake research or to provide practical assistance in particular regions from time to time. The permanent staff of the section will be strengthened by specialists drawn from operating agencies, as the need arises.

65. A strong Regional Section will be able to provide in-service training in regional planning for suitable candidates, both from the centre and from the region. The main constraint in this regard is the shortage of technical personnel. A first, most will have to be sought from external sources. Suitable local technical staff will be recruited to work in close collaboration with the foreign experts. This arrangement, supplemented by continued training programmes, will eventually provide a technical team of regional development planners.

66. No single organizational formula suffices for regional activities The regional programmes vary in size and nature, covering multipurpose river basin projects, agricultural package programmes, urban growth centres, etc.

67. The Awash Valley Authority pattern will be followed only if there is clear evidence that the ecological conditions of the area and the nature of the inter-related actions, requires such a high degree of concentrated responsibility.

68. The "package programme" approach to regional development reflected in the Chilalo Agricultural Development Unit represents a different organizational structure. A project officer with considerable authority is made directly responsible to the Ministry of Agriculture, which in turn is responsible for the co-ordination of activities among the participating agencies. Dependent on the nature of the project similar package programmes can be attached to any agency which can ensure proper co-ordidation. For example, for

the western lowlands regional development (Setit Humera) a similar structure to Chilalo is being established, though on a larger scale.

69. The smaller regional projects, namely the "town growth centres" and the "programme to support local initiative," will require a different arrangement. The "growth centre" approach is in essence a concentration of government activities for each sector in designated towns. This can be achieved by integration of the plans of the various ministries and agencies. Again the Ministry of Planning and Development, in close consultation with other ministries and agencies, is logically placed to provide effective integration.

70. In the case of the programme to support local initiative at the centre the Community Development Board, with representatives from the Ministries of National Community Development and Social Affairs, Interior, and of Planning and Development, will assume the primary responsibility for initiating, administering, and financing any programme based on local initiative.

71. All regional development projects, however, irrespective of their form of organization, share an urgent need for additional and better qualified development administrators. The skills required, in addition to the necessary technical skills, combine those of public administration and of industrial management. These skills, which can be taught in training courses, will improve the benefit/cost ratios of regional development projects. The Ministry of Planning and Development will establish, during the first two years of the third plan, a training programme in regional development administration, through the intensive use of existing institutions.

K. The Use of Military Civic Action in the Realization of Regional Development Programmes

72. As noted earlier (Chapter VII) the Government is convinced that the time has come to involve defênce and security in economic and social development. To develop a national economy requires the effective mobilization of the nation's entire resources. The important role of civic action programmes, as a social integrative and nation-building force is, being increasinly recongnized. At present consideration is being given to the first draft of a general conscription law in Ethiopia. The introduction of a conscription law will add special weight to the concept and practice of military civic action programmes as these are now being applied in many parts of the world.

73. At the present time the Ethiopian armed forces are collaborating with such national civil authorities as IHA and the Civil Aviation Administration in the building of some feeder and penetration roads, or of small airstrips. What is now intended is that such piecemeal and occasional collaboration be transformed into an integrated, purposeful, and continuous multi-faceted programme, in cooperation with various central government agencies and local authorities. It is hoped that contributions of resources in terms of skilled personnel, and of services of machinery and equipment, will be regularly forthcoming, from the defence and security forces, for use in regional development programmes.

74. Some important activities in which the security forces could be increasingly engaged are the following:

a) *Construction* of infrastructural facilities, using own equipment and service personnel, as well as locally-recruited labour. These would include feeder or service-to-traffic roads, and bridges; airstrips; water wells; schools; health clinics; land clearing; simple irrigation canals—all are examples of the kinds of projects to be covered, especially in remote and border areas.

b) *Educational services.* The need for technically skilled labour of many types is acute (see Chapter V). At the same time armed forces —everywhere in the world—are increasingly dependent on technical education and training. They require mechanics and electricians, building constructors, tractor and vehicle operators, cooks and bakers, tailors and shoemakers, draughtsmen, bookkeepers and accountatns, etc. Men thus trained in the forces will, after their service, return to civilian life and useful employment. This link between armed services training and the needs of a developing economy can be exploited for the benefit of the Empire. The men can frequently perform productive work for local communities as part of their service duties. But they can also provide educational services to the local civilian population. Primary school teaching can be offered, and adult literacy programmes can be supported. Local farm youth can be given training in skills which will contribute to agricultural productivity.

c) *High-level manpower.* The more modern and sophisticated the armed forces become, the more highly trained professional and technical personnel they need and train. They will include engineers and scientists of various kinds; hydrologists and meteorologists; doctors, dentists, nurses and medical technicians, and personnel with managerial, financial and accounting skills, etc. Such experts can often make valuable contributions to the civilian, development programme even while in military service (many cases can be cited world-wide); and when they retire, frequently at an early age, it is important to recruit them into directly productive high-level civilian jobs, or to use their capacities and aptitudes in teaching and training.

75. These beliefs, and actions based on them, are already well established in Ethiopia's defence and security forces. Local com-

manding officers, in outlying provincial and border areas, are already on their own initiative acting along these lines, in collaboration either with local authorities and governors, or with national agencies such IHA. But it is essential to establish an acceptable policy, from the highest level, to co-ordinate programmes in agreed regions, and finally to carry out projects within the context of the approved Third Five Year Plan.

PART III

Measures for Implementation

Chapter XXI

Annual Programmes and Budgets

A. Annual Planning in the Context of the Third Five Year Plan

1. The Government is fully aware that the implementation of a five year development plan is not a once and for all activity, requiring only a number of decisions at the start of the period, self-executing thereafter. Priorities have been set, and planned programmes and projects have been correlated, put into sequence, and phased over the entire period. Once brought to the necessary degree of readiness, these projects will be included in the annual prgoramme, and, where government funds are required, provision made for them in the budget.

2. Nor does the Government regard the Five Year Development Plan as a fixed unchangeable blueprint. The plan will be kept under constant review in the light of actual developments. The preparation of the annual programme, and the annual budget, provides the best means of carrying out this review.

3. The Government is aware of the unique relationship between the annual plan and the annual budget. It regards the annual budget not only as a summation of expected government revenue and expenditure, but also as an important instrument for influencing short-run economic activity.

B. Priorities and Strategy for 1961

4. The projected levels of economic activity for 1961, the first year of the third plan, still depend in large part on developments in the

recent past. Equally, the investment programme for 1961 is necessarily made up to a large extent of projects initiated or committed in previous years.

5. Despite these limitations, it is expected that the 1961 Annual Programme, briefly summarized below, will successfully launch the third plan, in part by introducing a range of new programmes to start in 1961, and, by laying firm foundations for expanded activity in the following years.

6. In 1961, government attention will be directed both to activities aimed directly at stimulating economic growth and to the essential preparatory tasks necessary for ensuring future growth; for example, expanding agricultural services, intensified mineral exploration, and enlarging the road network.

7. Many of the plan's aspirations and measures will be converted into action programmes through detailed, systematic and painstaking work by the responsible government ministries and agencies. In this respect, first priority has been assigned to implementing, or preparing for implementation, as quickly as possible, projects for which funds have already been allocated in the budget. However, through the medium of quarterly work programmes, every effort will also be made to get new programmes and projects ready for inclusion in the 1962 budget; some preparatory work will be started on programmes and projects designed for implementation in the remaining three years of the plan. The Government regards these preparatory steps as one of the keys to the successful implementation of the third plan as a whole.

C. Projections of Economic Activity in 1961

8. It is expected that the country's total production in real terms (as expressed by Gross Domestic Product at constant factor cost)

will rise by about 5.5% in 1961, compared to an estimated 4.7% and 5% in 1959 and 1960, respectivily.

9. The acceleration of growth in 1961 will largely depend on increased activity in the building industry, and in the transport and commercial sectors. The building and civil engineering industry should, after a certain stagnation in the present year, benefit from the planned increase of investments from an estimated level of some $415 million in 1960 to about $450 million in 1961, (or about $457 million in current prices). It is foreseen, moreover, that the building component of total investment after declining from about $260 million in 1959 to $245 million in 1960, will increase to nearly $270 million in 1961. This is due to the substantial amounts allocated in the 1961 investment programme for the construction of roads, airports, schools, hospitals, clinics, and power works.

10. The intensified activity in the building industry should favourably affect the transport and commercial sectors. Activity in these sectors will also benefit from planned capacity expansions of Ethiopian Airlines and Ethiopian Shipping Lines and from an accelerated growth of exports, in particular through larger shipments of coffee under the new quota, and of oilseeds, pulses and meat.

11. For most other sectors, no special acceleration of previous growth rates is expected. Although a marked increase of investment in agriculture and of current expenditures for the expansion of agricultural services is provided for in the 1961 programme, such outlays need time to take effect and the average growth rate of agricultrue of the past few years — viz. 2.4% *per annum* — is also expected for 1961. Manufacturing production is likely to continue to rise rapidly — by over 14% in 1961 — and power output may again increase by nearly 18%.

12. The rise in total GDP of some 5.5% implies that the monetary part of GDP should grow by about 8.5%, or when valued at current

market prices, by almost 10%. Savings are expected to grow somewhat faster (and, consequently, consumption somewhat slower). As a result, the gap between investments and savings is estimated at about $100 million. This appears commensurate with the expectations for exports and imports of goods and services. While exports of goods are foreseen to rise by 7.2% in 1961, (compared with an estimated 3.5% in 1960), because — as mentioned above — of the new coffee quota, and because also of an increase in oilseed and pulses exports, imports will have to grow by about 6%. As a result, the trade gap is expected to amount to nearly $130 million. However, the surplus on non-factor services (transport, travel, etc.) is estimated at nearly $30 million, so that the gap on goods and non-factor services should come to about $100 million.

13. This deficit, plus a net outflow of almost $20 million in investment income and a $13 million increase in reserves is expected to be covered by net inflows of public and private long-term capital of $78 million and $33 million, respectively, and by transfers to the government of $25 million in foreign grant assistance.

14. The final results for 1961, will, of course, be markedly affected by the results in the agricultural sector, since the dominance of agriculture in total output is such that any fluctuation in this sector (from climatic conditions, for example), greatly affects total output. In addition, two other circumstances which have given rise to recent difficulties must be mentioned. The problems attendant upon the closure of the Suez Canal must be overcome, whether by re-opening the Canal or by continuing adjustment of the economy to alternative trade routes. Secondly, monetary and credit policy must be consistent with the expected upsurge in economic activity. Policies are now under consideration for this purpose.

15. Detailed figures on the structure of GDP, sources and uses of resources and the balance of payments — are given in Tables 6A, 5 and 17 of the Statistical Appendix.

D. The Public Sector Programme

(a) *Introduction*

16. The Public sector, as defined in this third plan, comprises all the ministries, agencies and other organizations whose accounts are included in the Central Government budget, the chartered municipalities (Addis Ababa and Asmera) and those corporate enterprises in which not less than 56% of the shares are held by the Government or its financial intermediaries. Although these enterprises enjoy operational autonomy, the Government, as the principal shareholder, bears final responsibility for their operations and sets their broad policies and rules of operation.

17. In addition, the programmes for the public sector, as defined above, influence and support private sector activity. Thus, for example, road and power development programmes are expected to stimulate private agricultural and industrial development; and education programmes aim, *inter alia*, to supply the requirements for skilled manpower. Similarly, a primary objective of government fiscal and monetary policies is the encouragement of private sector activities in the desired amounts and directions.

(b) Key Policy and institutional Measures

18. The following sections deal particularly with the necessary 1961 preparatory activities, which, as already noted, will be vital to the implementation of programmes and projects in the following years.

Central Government Administration

19. (i) A high-level Administrative Reform Committee will be appointed in 1961 to supervise and bear responsibility for the implementation of the organizational and administrative changes detailed in Chapters VIII and IX.

(ii) The Institute of Public Administration, strengthened and re-vitalized, will serve the Committee as its Technical Secretariat.

(iii) Legislation greatly strengthening the authority of the Central Statistical Office to collect data will be submitted for enactment in 1961.

(iv) Ways and means of creating an effective central public agency to co-ordinate municipal affairs will be studied in 1961.

Fiscal, Budget and Investment

20. (i) A number of tax revisions whose purpose is to increase government revenue and savings, for use in financing development programmes, has been prepared and will be introduced in 1961. At the same time, certain problems of municipal finance are under review. A special inter-ministrial committee has been appointed to review the existing tariff structure; monetary and credit policy is also being studied. Recommendations should come forward during 1961 as regards the necessary policy changes in these fields.

(ii) The Government budget-making process will be reviewed, with a view to the eventual reclassification of the budget into development and non-developmental budget. The former will group together all development expenditures, whether of a capital or recurrent nature. This should result in increased efficiency, because the present division into separate capital and current budgets tends to obscure their essential interconnection; and the implementation of some programmes has consequently suffered. Procedures are being established to achieve closer co-operation between the authorities mainly concerned with the budgetmaking process, on the one hand the Ministry of Finance and the Ministry of Planning and Development and, on the other hand, the operating ministries and agencies, both as regards preparation of the budget and action for its carrying-out.

(iii) A consolidated public sector budget will also be prepared. This account will indicate the contribution of public sector to economic activity, and the demand of this sector for resources.

(iv) The role of the development finance intermediaries has recently been reviewed and, in 1961, government will take steps to clarify their functions and to strengthen their operations in accordance with the recommendations made.

(v) A Public Utilities Commission will be established in 1961 review. A special inter-ministerial committee has been appointed to public enterprises which are essential for economic development.

(vi) The criteria for inducements to private investment, and their amounts, will be reviewed in 1961, and, if necessary, a revised Investment Law drafted. The Investment Committee will expand its secretariat to provide services to potential investors, and to introduce them to the services available from other government agencies..

Industry

21. (i) The setting up of a loan system and a hire-purchase scheme for smaller enterprises, under one of the exiting credit organiza-

tions, or through an appropriately organized new credit institution, will be thoroughly examined in 1961.

(ii) Methods of providing land and buildings for Industries in Addis Ababa, and for the new urban growth centres, will be studied.

(iii) Steps will betaken to combine the Centre for Ethiopian Management and the newly proposed Centre for Industrial Services into a single Centre for Ethiopian Management and Industrial Services. The Centre will give particular attention to the problems of Ethiopian entrepreneurs.

(iv) Legislation governing the standards of industrial and other products for export as well as for domestic consumption will be drafted; the actual preparing of standards will be begun, and the programme for establishing an Institute of Standards and Quality Control prepared.

Trade and Commerce

22. Efforts will continue to increase, and imporove the quality of information regarding internal trade. The survey of distributive trade in Addis Ababa will be completed, and similar surveys in other regions undertaken. The marketing of primaryproduce will receive particular attention. To encourage exports of manufactured goods the existing system of "draw backs" of import duties paid on raw materials, and on other components of exported products, will be revised and regulations for export promotion and import will be issued. Preparatory steps will be taken for the establishment (in 1961) of a foreign trade promotion organization, and (in 1962) of a trade promotion centre. A fund for the purpose of marketing-research, and dissemination of information, financed by contributions from interested agencies and public or private enterprises, will be initiated.

23. (i) An inter-ministerial co-ordinating committee — to be serviced by the planning unit of the Ministry of Agriculture — is being established to co-ordinate the activities of the various ministries and agencies in the agricultural sector.

(ii) A Water Resources Council will be established in 1961, The existing Water Resources Department in the Ministry of Public Works will be re-organized and will act as the technical secretariat of the Council.

(iii) A Division of Soil and Water Conservation will be established in the Ministry of Agriculture to stimulate and assist provincial offices and extension agents in encouraging soil and water conservation practices on farms.

(iv) The existing Community Development Board with representatives from appropriate ministries and agencies will be strengthened and made responsible for co-ordination and supervision of self-help schemes in the regions.

(v) Legislation will be prepared to provide for pest and disease control for crops and livestock.

(vi) The legislation authorizing a Cadastral Survey including adjudication and registration of rights in land, will be submitted for enactment in 1961. Trial surveys will be conducted in the course of the year.

(vii) Legislation providing for the regulation of landlord-tenant relations, and for the taxation of unutilized land, will also be submitted for enactment in 1961. Studies on the communal ownership patterns prevailling in the northern provinces will also be conducted in 1961-62.

(viii) Intensive preparatory work on problems of agricultural credit, marketing and purchasing will be carried out in 1961, with a view to establishing the necessary organizational framework for implementing these programmes in 1962.

(ix) Programmes will be developed, and priorities set, for the expansion of agricultural services and agricultural education.

(x) A Forestry Development Agency will be established; the necessary bye-laws to be added to Forestry Proclamation will be submitted for enactment in 1961.

(xi) The "Chilalo Agricultural Development Unit" (CADU) has been formed within the Ministry of Agriculture to be responsible for the SIDA (Swedish Aid) — sponsored "package project" in Arussi. It will have its own project manager and budget, and will function as an independent unit.

(xii) Preparation of the Welamo/Soddo agricultural development project will be completed in 1961 and may be submitted to the International Bank for Reconstruction and Development (IBRD) for financing. In the meantime, it is planned to settle five hundred more people in lowland Welamo.

(xiii) Another unit similar to CADU is being formed for the development of the western lowlands; this project is at present under consideration for possible support by the IBRD. The project design will be completed during 1961. Several supporting actions such as the construction of bridge over the Tekkeze Setit at Humera start of the engineering survey of the route Tessenei-Humera, and ten kilometers south; establishment of the first phase of an agricultural development station near Humera; and the establishment of a junior secondary school, emphasizing commercial and technical studies, are planned for 1961.

(xiv) The Awash Valley Authority has established a special planning unit to programme the future development of the area.

(xv) Intensive investigation of the potential for agricultural development in the south-west highlands will be started by the end of 1961. Efforts are now being made to secure external assistance for this study. In the meantime, external participation will be sought in 1961 for a tea project in Kefa or Illubabor province.

(xvi) Several regional agricultural or agro-industrial projects are now under consideration and/or preparation by the Stanford Research Institute (agro-industrial Survey) for submission in the second half of 1961.

(xvii) In 1961, the Ministries of Agriculture and of Planning and Development will attempt to identify possibly three more regional "package" projects to be begun by the end of the plan period; external aid will be sought.

(xviii) Pilot Management Units will be established in 1961 in the Southern Regional Livestock Project, under the sponsorship of AID. Preliminary work will begin on identification and elaboration of further regional livestock programmes, in the northern provinces, and in Gojjam.

(xix) A pilot credit programme for fertilizer purchase will be started in the forthcoming season in conjunction with the FAO Freedom from Hunger Campaign Fertilizer Trial Programme (which will also conduct its second year of trials in ten provinces). This will be a joint activity of the Extension Service, the Development Bank, the Grain Corporation and FAO. Two areas, near Shashemane and Debre Berhan, have been selected for this purpose.

Mining

24. (i) A draft Mining Code will be put before Parliament early in 1961. The Code, to be administered and supervised by the Minister of Mines, will detail the rights and limitations to be imposed on prospecting, exploration and mining activities.

(ii) Existing incentives for mining companies will be reviewed within the framework of the Investment Proclamation review.

(iii) The preparatory work necessary for the conversion of government mining enterprises to autonomous organizations will begin in 1961.

(iv) In order to collect and disseminate the maximum amount of data on Ethiopia's mineral resources, actual and potential, the Geological Division of the Ministry of Mines is being expanded, starting in 1961, into a fully manned and equipped Geological Survey Department.

Transport

25. (i) A high-level Transport Co-ordinating Committee, to be chaired by the Minister of Transport and Communications, will be established to co-ordinate all activities in this sector. This Committee will be serviced by a Research and Programming Unit to be established in the Ministry.

(ii) In order to ensure effective implementation of the Fourth Highway Programme, the Imperial Highway Authority will be re-organized, and its regional operations strengthened.

(iii) The Land Department of the Ministry of Communication will be re-organized to meet its obligations under the third plan.

(iv) A Road Transport Board, chaired by the Minister of Transport and Communications, has been established to control and supervise activities in this sector, including licensing and approval of rates.

(v) A National Port Authority is being established by the Marine Department to supervise the development and operation of the nation's ports.

(vi) Preparatory work to establish an autonomous Civil Aviation Authority is to be undertaken in 1961.

Manpower and Training

26. (i) A Manpower Survey will be started in 1961, as a matter of high priority, leading to the establishment of the First modern scientific occupation and skill classification for Ethiopia. More detailed information is needed, in order to decide on policies in education, in vocational and on-the-job training, and in personnel administration and utilization.

(ii) A formal system of job classification is to be introduced into the Ethiopian Civil Service. With the review of selection and recruitment procedures, also to begin in 1961, this will help to ensure better use of high level personnel.

(iii) In-service training programmes conducted by the Institute of Public Administration will be expanded. A review of the operations of the IPA will begin immediately, to determine its organizational status, as well as necessary staffing, physical facilities, and the finances required to undertake the expanded programme.

(iv) A review of the operations of all existing training institutions will be completed so that facilities can be used to maximum capacity. A number of specialized agencies, e.g. IBTE and IHA, will begin a programme of expansion of facilities so that they will be able themselves to meet most of their manpower requirements.

(v) The Centre for Ethiopian Management and Industrial Services will expand its training activities, mainly for the development of national counterpart staff, and for the promotion of small enterprises and Ethiopian entrepreneurs.

(vi) The Department of Labour plans to undertake a wide-range of schemes for training workers for industry.

(vii) A National Advisory Committee on Vocational Training is to be set up; a Vocational Training Development Centre with UNDP help, is to be established as a pilot project in Addis Ababa. Legislation will also be considered to make possible the introduction of a system of apprenticeship.

Social Legislation and Social Services

(i) The pension scheme provided for in the Civil Servic Proclamation will be reviewed in 1961.

(ii) The Ethiopian Teaching Service will be established in 1961. A National Council for Arts and Culture will also be established, to co-ordinate policies and activities.

(iii) Public Health Legislation will be reviewed, with a view to identifying gaps in existing regulations, and to provide for enforcement of vital measures.

(iv) Social welfare legislation will be reviewed in order to provide the Ministry of Community Development with more legislative authority for the regulation and supervision of social activities.

(c) The Central Government Budget

28. Within the framework of the investment and financing programme for the TFYP, a Central Government budget of $639.6 million[1] has been approved for 1961, composed of a current budget of $497.1 million and a capital budget of $142.5 million. $445 million (96.5%) of the total, is expected to be covered by domestic revenue, $149.1 million (23.4%) from external sources and $45.5 million (7.1%) by domestic borrowing and deficit finance. A summarized version of the 1961 budget follows:

Central Government Budget for F.Y. 1961 *Compared with Previous Years*[1] ($ *million*)

	1958 (actual)	1959 (actual)	1960 (budget)	1961 (budget)
Ordinary Revenue	424.4	446.2	481.0	519.0
Domestic Revenue	323.8	359.9	403.0	445.0
Direct Taxes	(63.2)	(77.1)	(68.1)	(108.8)
Indirect Taxes	(226.8)	(236.4)	(287.4)	(288.9)
Non-tax Revenue	(31.1)	(40.0)	(41.0)	(46.7)
Reimbursements (mainly EAL)	(2.7)	(6.4)	(6.5)	(5.6)[2]
External Assistance (current)	100.6	86.3	78.0	74.0
Ordinary Expenditure[3]	391.2	416.9	456.5	497.1
Ordin. expenditure excluding Debt Service	379.8	389.0	414.6	452.5
Economic Ministries	(58.1)	(70.6)	(73.5)	(73.6)
Education and Health[4]	(88.9)	(95.9)	(102.1)	(115.7)
Other Civil Administration & Security	(232.8)	(222.5)	(239.0)	(263.2)
Debt Service	11.4	27.9	41.9	44.6
Current Budget Savings	33.2	29.3	24.5	21.9

---

[1] Pension Funds revenue and expenditure ($12.0 million) excluded. E.A.L. loan reimbursement ($5.6 million) included.

	(actual)	(actual)	(budget)	(budget)
Capital Expenditure	80.1	77.1	115.7	142.5
Financing of Capital Expenditure	80.1	77.1	115.7	142.5
Current Budget savings	33.2	29.3	24.5	21.9
Foreign Loans and Credits	38.4	27.5	47.3	63.9
External Assistance (to capital projects)	4.1	5.6	9.5	11.2
Sale of Government Bonds	-	1.0	-	6.0
Other Domestic Borrowings	4.4	13.7	34.4	39.5

1. In all years Pension Fund revenue and expenditure is excluded.
2. This item is shown in the 1961 Budget under "Special Revenue."
3. Includes in 1958 and 1959 "Extraordinary Expenditure."
4. Figures for 1960 and 1961 in this line are lower than those in the Plan Projections (Statistical Appendix, Table 13) which allow for the total cost of the Malaria Eradication programme, including the loan finance (position) portion, included in this table in Capital Expenditure.

Revenue

Ordinary Revenue

29. The ordinary domestic revenue of $445 million[1] is set 10% higher than in 1960 (budget) and 24% above actual revenue in 1959. Most of the increase is seen as coming from direct taxes and domestic indirect taxes. Direct Tax revenue should be enhanced by more efficient collection of Income Tax, as a result of the operation of the new 1960 Law. The rise in proceeds from domestic indirect taxes is expected to come in particular from increased rates of turnover tax and excise tax on "Other (no petroleum) Products Manufactured Locally."

30. The Third Five Year Plan projects a slightly higher level of domestic revenue for 1961 than appears in the budget, the main difference being in additional sums to be raised from indirect

---

[1] Includes repayment by E.A.L. on account of loan indebtedness — $5.6 million shown in the draft 1961 Budget under "Special Revenue." Similarly repayments in 1959 and 1960 are included in the "Ordinary Revenue.

taxes as a result of the favourable expectations regarding the level of economic activity in 1961. In the course of 1961 the budget estimates will be reviewed in the light of actual performance.

External Assistance

31. External Assistance expected in 1961 is somewhat lower than in previous years, amounting to $85.2 million. Of this, $74 million is allocated to ordinary expenditure and $11.2 million to capital expenditure. The expected assistance for capital expenditure is higher than in 1960, and double the actual amount for 1959.

Foreign Loans and Credits

32. The 1961 budget includes $63.9 million from this source, a sharp rise in comparison with previous years. This is due to the inclusion in the budget of the $25 million loan to EELPA for the Finchaa Dam. In recent years the lack of suitable, implementable projects and the shortage of matching domestic funds largely accounted for the static position of foreign loan/credit drawings which in 1958-60 remained well below budget expectations.

Domestic Special Revenue and Borrowing

33. No receipts from sale of assets (property, shares) are foreseen in 1961. Domestic borrowing, in the form of placing of government bonds, is expected to raise $6 million while $39.5 million is expected to come from direct borrowing from the National Bank of Ethiopia or from other credit operations on the internal market. The corresponding figure forl960 (budget) is $34.4 million and for 1959 Actual) $13.7 million. The possibility cannot be ruled out that somewhat higher revenue, or somewhat lower current outlays,

than new budgeted for will diminish the need for recourse by the Government to the Banking Systetm. The TFYP projections indicate that such a recourse to the extent of around $35-40 million would be acceptable from a monetary point of view.

Expenditure

Ordinary Expenditure

34. Ordinary Expenditure, exclusive of External Assistance and of the Debt Service, i.e. the current expenditure of all government departments, foreseen for 1961, is $378.5 million. This is a 12.5% increase over the 1960 budget and 25% above actual expenditure in 1959. However, when external assistance is included, these increases amount to 9.1% and 16.3% respectively.

35. Increased allocations for 1961 for the Ministries of Defence and Interior take into account substantial pay increases granted in 1960 to the armed forces and police. Education and Health increases reflect the cost of expansion of these services. Allocations to the Economic Ministries[1] have in effect been increased by 14% over 1960 (although this increase is offset by the completion of external assistance to the mapping project). This is in order to strengthen the activities of these Ministries and to finance the current expenditure component of third plan development programmes.

Public Debt Service

36. The net service of the public debt in 1961 comes to $44.6 million, slightly less than 7% of the total budget. As in previous years, interest payments comprise between 30 — 40% of the total, the remainder being repayments of principal.

Capital Expenditure

37.As noted, a capital budget of $142.5[1] million has been proposed for 1961: $67.4 million to come from domestic sources and $75.1 million from foreign loans, credits and grants.

---

[1] See definition in the Statistical Appendix

38. In the preparation of this capital investment programme, care has been taken to ensure that:-

(a) sound on-going projects, and new projects for which the Government is already committed, are given priority;
(b) new projects are technically and economically sound;
(c) all projects included in the capital programme fit the general and sector programmes of the Third Five Year Plan; and,
(d) most important of all, the projects included in the capital budget will be ready for implementation during 1961.

39. The sum recommended for each project is based on a thorough and realistic assessment of the exact nature of the project, its present progress, and the 1961 work, procurement and execution schedules.

40. 75% of the proposed capital budget[1] is comprised of on-going (37%) and previously committed (38%) projects. New and continuing survey and study projects account for 13%; these are essential to ensure the availability of implementable projects in future plan years.

41. A significant shift of emphasis for 1961 in allocation to particular sectors is shown in the table below.

42. Two major sectors have been allocated a greatly increased share of expenditure. Education gets about four times the 1959 figure and agriculture almost twice its 1959 share. On the other hand, the respective shares of two other major sectors show a marked relative decline; transport and communications down from 45.4% to 30.4% and manufacturing from 23,2% to 12.0%.

---

[1] The $142.5 million includes $25 million foreign loan for the construction of the Finchaa Dam, which under a strict classification system should be regarded as "Other Public Sector" investment. It also includes $8.5 million foreign loan to the Malaria Eradication Programme, which will be primarily used for expeditures of a current nature. Thus, the figure comparable with those of the previous years is $109.0 million.

Capital Expenditure—1959-61- Distribution by Sectors
($ million)

	1959 Actual		1960 Budget		1961 Budget Proposal	
	Amount	Percent[1]	Amount	Percent[1]	Amount	Percent[1]
Education	3.1	4.0	13.9	12.0	17.1	15.7
Health	3.5	4.6	7.6	6.8	6.0	5.5
Social Welfare	0.5	0.6	1.4	1.2	1.6	1.5
Mining	1.2	1.6	2.5	2.1	2.2	2.0
Transport & Communications[2]	35.0	45.4	34.9	30.2	33.1	30.4
Water Resources	1.6	2.1	6.4	5.5	7.0	6.4
Agriculture[2]	8.8	11.4	21.7	18.7	23.4	21.4
Manufacturing[2]	17.9	23.2	19.2	16.6	13.0	12.0
Tourism	—	—	1.0	0.9	2.7	2.5
Govt. Admin. buildings	3.2	4.1	3.0	2.5	2.0	1.8
Others	2.3	3.0	4.1	3.5	0.9	0.8
Total	77.1	100.0	115.7	100.0	109.0	100.0

1. Distribution in percent is calculated on full (not rounded) figures.

2. Includes funds channelled to the sector by Financial Intermediaries (DBE & EIC).

43. The higher investments (and increased allowances for current outlays) in agricultural research and services, experimental farms, regional development projects and other essential elements of the programme are intended to lay the foundation for agricultural development, on which successful implementation of the third and later plans is dependent to a large degree.

44. The Water Resources development programme for 1961 includes continued development of rural water supply; continued data recording, and intensified study of the Blue Nile Basin; continuation of the Wabi Shebelli survey, and the initation of three new important surveys in the Tekkeze Basin, Omo Basin and the Rift Valley Lakes. In addition, preparatory work will continue on the Melka-Sedi Amibara Irrigation Projects; and the Meki River Diversion Study will continue.

45. The proposed capital expenditure on industry by the Central Government and the Financial Intermediaries falls short of the sums envisaged earlier, owing to a present lack of well prepared

practicable manufacturing projects. The substantial sum allocated to feasibility studies in this sector, even though results will not all be positive, should, nevertheless, build up a stock of projects for implementation in future years. The 1961 proposal does, however, provide funds for the execution of two important projects; the Vehicle Tyre Plant, and the Light and Upper Leather Tannery.

46. The capital allocated to Mining places heavy emphasis on exploration activities — a necessary prerequisite for actual mineral exploitation. Funds are also allocated to the joint IEG-UNDP geological survey in Sidamo and Wellega provinces.

47. The heavy investment in transportation and communications is related to funds for the Third and Fourth Highway Programmes, as well as a substantial sum for the Master Highway Survey to be completed by the end of 1961. Substantial allocations are also made for expansion and other works at Addis Ababa, Asseb and Asmera airports, as well as for the design of four domestic airfields.

48. In the tourism sector, an important survey with the two objectives of determining how tourism should be developed, and of preparing plans for implementation, will begin at once. Funds are also allocated for the completion of the Hilton Hotel in Addis Ababa.

49. The capital budget for Education provides for accelerated construction of primary and secondary schools and teacher training facilities. Approximately half the funds required for this programme will be made available by IEG from domestic sources, with IDA and SIDA (Swedish Aid) providing the bulk of the remaining funds. The IDA programme encompasses junior secondary, senior secondary and teacher training facilities. Some 72 projects will be completed in 1961. The expansion or completion of existing primary schools, and the construction of new schools, are carried out with the assistance of SIDA, which provides 50% of the cost, the remaining 50% coming from IEG and local contributions. Of

the 198 units which are to be constructed in 1961, 94 units of four classrooms each are additions to existing facilities, and 104 units of six classrooms each are new schools.

50. In public health, funds are provided for the construction (or completion) of 19 health centres and 70 clinics or health stations, to be concentrated in those areas where the Malaria Eradication Programme is being carried out. This latter programme will show a rapid expansion, with $5 million provided by IEG and $8.5 million from a USAID loan. To continue the decentralization of the health services, and to help overcome shortages of trained staff, funds are provided for the establishment of four new provincial health offices, and for the expansion of one nursing school and five dresser schools.

51. Funds for Community Development Projects in 1961 include allocation for the development and expansion of training facilities for community development workers. Matching funds (alongside local contributions) have also been provided for the 33 existing Community Development Centres, as well as for the establishment of a limited number of additional centres. Money is provided also for the expansion of the Addis Ababa Remand and Training Home, for grants in aid to voluntary urban belfare programmes, and for the National Industrial Vocational Training Scheme.

52. Funds for public buldings have been kept to the minimum necessary to meet payment obligations for past construction, and to continue construction works already started.

E. Conclusion

53. The Government is convinced that careful and energetic implementation of the 1961 budget, and its related public sector programmes and preparatory activities, will effectively launch the third plan. The Government realizes that the real test of a plan is the

the practicability of turning its aims and objectives into actual physical development by means of the annual programme and budget. The Government has made every effort to achieve this in 1961; it intends energetically to pursue its chosen path during the remainder of the Third Five Year Plan, and in future Plans.

Chapter XXII

Specific Tasks and Responsibilities

Introduction

1. One of the lessons to be learnt from the Second Five Year Development Plan, in the area of policy formulation and implementation was the lack in the plan of clear identification, responsibility, and timing, for initiation and implementation. Moreover, the mere enunciation of policy respecting, for example, the creation of new institutions, the introduction of reforms, the passage of legislation or the revision of existing laws, did not contribute much to plan implementation, even if the institutions and reforms recommended were introduced.

Tasks and Responsibilities

2. The Government is aware that the implementation of the TFYP greatly depends on the capacity and readiness of those persons responsible for carrying out the programme, and for administering the laws and institutions, in accordance with the pan objectives so that conditions favourable for their implementation are created.

3. In the following pages the main tasks, responsibilities and measures to be translated into practice by various institutions and bodies, are set out in outline. Here only the *main* institutional reforms, laws, surveys and studies, their timing, and the ministry or agency responsible for their implementation are indicated. It must be emphasized that this list is not in any way comprehensive. The minister and officials will be concerned with the performance of many other tasks and duties, embodied in the foregoing plan

chapters, or in the substantive sector programmes upon which the chapters have been based.

4. It is not the intention of this chapter to present a complete picture of all that must be done by each ministry and agency: the proper place for so detailed a description will be in the programmes and budgets prepared annually by each government organization. A summary of the programmes for 1961, for example, is given in Chapter XXI. The following descriptions are intended as a means of picking out the main jobs to be done, by whom, and at what stage of the plan.

5. Furthermore, the Cabinet Minister or body charged has the responsibility not only to see that the laws are passed, the institutions created and the reforms introduced, but also to ensure that the impact of the policies, as designed and administered by each responsible agent, is continually effective and consistent with the aims and objectives of the plan as a whole. The Government is aware that these measures and policies, as well as the programmes emboiled in the plan, may be subject to periodic review and modification during the plan period. Nevertheless, it is necessary to ensure that any such modifications are carried out in a systematic and coordinated manner, consistent with the objectives of the plan. The responsibility for ensuring this consistency will be shared by the relevant ministry or agency, and the Ministry of Planning and Development.

Programming and Reporting

6. The preparation of specific and clear programmes, and timely reporting, are a necessary discipline in the process of implementation. To ensure this, ministries, agencies and public bodies will submit quarterly progress reports on implementation to the Ministry of Planning and Development, which will then prepare a summary for the Council of Ministers. The Ministry of Planning and

and Development, in consulatation with the Development Ministers' Committee, will establish a procedure setting out clearly the tasks, and their timing, for each Ministry and public body, for programming. The "deadline" indicated in the following pages means the time laid down for the coming into operation of an organizational change, or for the completion of draft legislation, or for the completion of a survey or study.

Office of the Prime Minister

1. Administration

(Through the Administrative Reform Committee, the Office of the Prime Minister is to supervise, co-ordinate and assist in the implementation of all administrative reforms recommended in the Third Five Year Plan).

Tasks		*Reference*	
	Deadline	*Chapter*	*Paragraph*
(a) Appointment of a high level Administrative Reform Committee	1961	VIII	4
(b) Creation of a Public Utilities Commission	1961	IX	43
(c) Committee for financial and monetary problems	1961	IX	3- 4
(d) Appointment of a Financial Intermediaries Reorganization Commission	1961	IX	39
(e) Establishment of a Permanent Tariff Commission	1961	IX	6
(f) Establishment of a Manpower Commission	1961	V VIII	55 22

2. Legislation

The Office of the Prime Minister and the Administrative Reform Committee have general responsibility, along with the Ministry or agency concerned, for all legislation proposed in the Third Five Year Plan.

Imperial Ethiopian Institute of Public Administration

Tasks		Reference	
	Deadline	Chapter	Paragraph
1. Administration			
(a) Strengthening and reorzation of the Institute	1962-63	V VIII	56 15
(b) Ensuring development of an expanded ond effective training programme and adivisory service	1962-63	V VIII	50 15
(c) Provision of secretariat staff for the Administrative Reform Committee	1961	V VIII	56 14

Ministry of Finance

Tasks		Reference	
	Deadline	Chapter	Paragraph
1. Administration			
(a) Transfer to the relevant development financial intermediary of certain enterprise shareholdings		IX	28
(b) Establishment of Development Budget Review Com-			

mittees for each ministry and agency jointly with the Ministry of Planning and Development	1961	IX	7
(c) Classification of the Budget into a Development Budget and an Administrative Budget	1962	VII	4(b)
(d) Introduction of a Consolidated Public Sector Budget system	1962-65	VII	4
2. Surveys and Studies			
(a) Study and review of existing taxes and adoption of adequate property and other taxes for financing local government expenditures	-	VII	. 6

Ministry of Planning and Development

Tasks		*Reference*	
	Deadline	*Chapter*	*Paragraph*
1. Administration			
(a) General strengthening of the Ministry	1961-62	VIII	17
(b) Strengthening of the Department of Technical and Financial Resources	1961-62	IX	12
(c) Expansion and strengthening of the Regional Development Section	1961	VIII XX	39 (i) 64
(d) Strengthening of the Community Development Board to act as an executive Board responsible for initiating,			

administering and financing the programme for local initiative	1961	VIII XX	39(v) 53
(e) Establishment of a Regional Development Policy Committee	1961	XX	63
(f) Establishment of Training Programme in Regional Development Administration	1961-62	VIII XX	39 (i) 71
(g) Establishment of procedures to ensure satisfactory co-ordination and effectiveness of the governmental planning machinery	1961	VIII	18

Ministry of Planning and Development (Central Statistical Office)

Tasks		*Reference*	
	Deadline	*Chapter*	*Paragraph*
1. Administration			
(a) Establishment of a system of government-wide statistical standards	1961-62	VIII	20
(b) Strengthening and expansion of the CSO and the establishment of Regional Statistical Offices; co-ordination of all statistical activities in the Government	1961-65	VIII	20
(c) Expansion and improvement of the contents of the National Sample Survey now in progress	1961-65	(See Statistical Appendix)	

2. Legislation			
(a) Enactment of a Statistical Law	1961	VIII	20
3. Surveys and Studies			
(a) Preparation of specific plans for a population consus	1961-62	V (See Statistical Appendix)	46
(b) Completion of the first and of the Rural Household Consumption and Expenditure Survey	1961	(See Statistical Appendix)	
(c) Preparation of price indices for imported and domestically produced goods	1961-65	(See Statistical Appendix)	
(d) Preparation of a study on the feasibility of establishing a Central Data Processing Unit to serve the needs of all Government Ministries	1961	VIII	20

Ministry of Agriculture

TASKS	*Deadline*	*Reference* *Chapter*	*Paragraph*
1. Administration			
(a) Reorganization and strengthening of the head office of the ministry		VIII	27 (ii) & 28
	1961	X	80 - 82
(b) Expansion of the regional network of agricultural of-			

responsibility	1961-65	X	82 (vii)
(c) Establishment of a Co-ordinating Committee for agricultural and related activities	1961	VIII X	27 (i) 82 (i)
(d) Setting up of a Forestry Development Agency	1961	X	82 (iv)
(e) Strengthening of planning and programming unit of the Ministry	1961	VIII X	27 82 (v)
(f) Setting up of a school for Forestry Technicians	1962	V	49
(g) Formation of Soil and Water Conservation Division	1961	X	82 (vi)
(h) Establishment of farm training centres	1962-65	X	65
(i) Establishment of multipurpose agricultural stations	1961-65	X	49
(j) Setting up of a permanent centre for demonstration, training and research in agricultural marketing (to be carried out by the National Livestock and Meat Board)	-	X	65
2. Legislation			
(a) Submission of regulations covering animal health, pest control and meat inspection for enactment	1961	X	82 (viii)
(b) Submission of by-laws to the Forestry Proclamation for enactment	1961	XXI	23 (x)

3. Surveys and Studies			
(a) Identification and development of specific, promising areas and projects which are expected to yield results relatively quickly	1961-65	X	27
(b) Studies to find other commercial crops which may be introduced into the coffee regions in order to diversify production	1961-65	X	27
(c) Identification and preparation of areas designated for the "package" approach to agricultural development	1961-65	X	31 & 48
(d) Introduction of improved tools and implements, quality seeds, seed bed preparation, weeding, pest control,	1961-65	X	49
(e) Expansion of pilot schemes for fertilizer trials to other areas	1961-62	X	50
(f) Studies of the nature and extent of soil erosion in Ethiopia	1961-65	X	51
(g) Preparation of a feasibility study for the exploitation of state forests	1961	X	70 & 73
(h) Initiating a programme of forestry research and developing statistical data and technical information on growth patterns, yields and marketing of various species of timber	1961-65	X	73

(i) Evaluation of the fish potential of inland waters and preparation of programme for its utilization	1961-65	X	75
(j) Consideration of the establishment of a Fisheries Development Agency in the Ministry of Agriculture		VIII	27 (iv)
(k) Preparation of the Wellamo-Soddo agricultural development project	1961-62	XXI	23 (xii)
(l) Preparation of programmes for the Setit Humera Region	1961-62	XXIII	23 (xiii)
(m) Preparation of expanded livestock programmes	1961-64	XX	35-42
(n) Preparatory work on problems of agricultural credit and marketing	1961	XXI	33 23 (viii)

Ministry of Land Reform and Administration

Tasks	*Deadline*	*Reference* *Chapter*	*Paragraph*
1. Administration			
(a) Reorganization and strengthening of the Ministry	1961	X	44
(b) Establishment of a Land Reform and Administration Training and Research Institute	1962	X	44 & 65
2. Legislation			
(a) Submission of legislation to provide for a cadastral survey, registration of rights			

in land and adjudication procedures	1961	X	38
(b) Submission of legislation to provide for the taxation of undeveloped land	1961	X	40
(c) Submission of legislation to provide for the improvement and regulation of landlord/tenant relationships	1961	X	39
3. Surveys and Studies			
(a) Trial studies on cadastral survey and adjudication procedure	1961	XXI	23 (vi)
(b) Policy oriented study concerning settlement and resettlement	1961	X	28
(c) Studies and recommendations on the communal ownership patterns prevailing in the northern provinces	1961-65	X	41
(d) Studies to devise land classification criteria to be undertaken in co-operation with other organizations concerned	1961-65	X	42

Awash Valley Authority

Tasks		*Reference*	
	Deadline	*Chapter*	*Paragraph*
1. Administration			
(a) Strengthening of AVA administration (UNDP			

support)	1961-62	XX	19
2. Surveys and Studies			
(a) Completion of studies and adoption of measures regarding water rights and charges	1961	XX	20
(b) Formulation of policies for the development of the Awash basin, e.g. concession and settlement	1961	XX	20
(c) Survey of the livestock and grazing potential of selected areas within the Awash basin	1961	XXI	23 (xiv)
(d) Completion of engineering and feasibility studies for additional irrigation	1961	XX	20
(e) Studies for the establishment of agro-industries	1961-62	XX	20

Ministry of Commerce and Industry

Tasks		*Reference*	
	Deadline	*Chapter*	*Paragraph*
1. *Administration*			
(a) Strengthening of the Ministry, in particular of the Industry Department, the Internal Trade Division, the Foreign Trade Division, and Weights and Measures Bureau	1961	VIII XI XII	29-31 43 6
(b) Expansion of the Ministry's			

representation in the provinces	1961-65	VIII	30
(c) Gradual build-up of commercial representation in key foreign countries	1961-65	VIII	31
(d) Steps will be taken towards the establishment of a new Centre for Ethiopian Management and Industrial Services by combining the present Centre for Ethiopian Management and the proposed Centre for Industrial Services	1961	XI	47
(e) Opening of an Investment Promotion Office	1961-62	XI	9
(f) Establishment of an Institute for Standards and Quality Control	1961-62	XI	49
(g) Organization of cluster training centres for artisans	1961-65	XII	5 (c)
(h) Setting up of production-cum-demonstration centres	1961-65	XII	5 (d)
(i) Establishment of a Design Development Centre to help artisans	1961-65	XII	5 (e)
(j) Setting up of a marketing organisation for handicrafts and cottage industries	1961-65	XII	5 (f)
(k) Establishment of an utonomous government agency to provide development land for industrial use	1962	XV	18 (b)

2. Legislation			
(a) Revision of the Investment Law	1961	XI	8
(b) Enactment of export promotion regulations	1961	XI	15
(c) Drafting of legislation go-governing the standards of industrial and other products for export as well as for domestic consumption	1961	XXI	21 (iv)
(d) Submission of a draft Domestic Trade Proclamation	1961	VIII	30
(e) Submission of a draft Law on regulation of trade in basic agricultural commodities not reserved to special statutory bodies	1962	VIII	30
3. Surveys and Studies			
(a) Study of the causes and courses of excess industrial capacity	1962	XI	6 (vii)
(b) Identification of manufacturing enterprises for which government investment is justified	1961-62	XI	12 (i)
(c) Survey of handicrafts and cottage industries	1962-3	XII	6
(d) Review and proposals for revision of the taxes imposed on industry (in co-ordination with Ministry of Finance)	1962	XI	14
(e) Survey of distributive trade (outside Addis Ababa) in major towns/ and provinces.			

with special reference to primary produce marketing	1961-65	VII	17 & 18
(f) Study of possible ways to rationalize and economize on imports	1961-62	VIII	31
(g) Setting up of a joint fund for export promotion and dissemination of relevant information	1961	VIII	31
(h) A study leading to the establishment of a foreign trade promotion organization and a trade development centre	1961-62	XXI VIII	22 31
(i) A study leading to the possible establishing of a Public Foreign Trade Corporation	1961-62	VIII	31

Ministry of Mines

Tasks		*Reference*	
	Deadline	*Chapter*	*Paragraph*
1. Administration			
(a) Re-organization and strengthening of the Ministry	1961-62	XIII	5 & 19
(b) Expansion of the Geological Division into a fully manned and equipped Geological Survey Department	1961-65	VI XIII	50 5 (a)
(c) Transfer of mining operations at Adola to an autonomous corporation	1961	VIII XIII	33 5 (d)
2. Legislation			
(a) Enactment of a Mining			
(a) Enactment of a Mining Code	1961	VIII XIII	33 5 (b)

3. Surveys and Studies			
(a) Preparation of feasibility studies for promising mineral occurrences	1961-65	XIII	5 (e)
(b) Completion of UNDP mineral survey (Wellega & Sidamo)	1963-65	XIII	11
(c) Other surveys to be specified	1963-65	XIII	11
(d) Review of existing incentives to mining enterprises (particularly under the Investment Proclamation)	1961-62	XIII	5 (c)

Ministry of Communications

Tasks	*Deadline*	*Reference* *Chapter*	*Paragraph*
1. Administration			
(a) Re-organization of the Land Department of the Ministry of Communications	1961	XXI	25 (iii)
(b) Strengthening of the Marine Department (to be designated "Marine and Inland Waterways Department")	1962-63	XV	23
(c) Establishment of a Road Transport Board	1961	XV	20
(d) Creation of an inter-agency Transport and Communications Co-ordinating Committee	1961	XV	21 - 22
(e) Formation of an autonomous self-supporting Civil Aviation Authority (dependent on enactment of law)	1962-63	XV	23

(f) Creation of an autonomous Port Authority for the ports of Assab and Massawa (dependent on enactment of law)	1961-62	XV	23
2. Surveys and Studies			
(a) Survey of seaports and their hinterland	1961-62	XV	32
(b) Study of inland waterways development	1961-62	XV	17′ 32
(c) Study of possible extension of the Eritrean Railway to the Sudanese border	1962	XV	30
(d) Study of possible establishment of an autonomous public agency for inland waterways	1962-63	XV	23
(e) Studies leading to the determination of airport landing fees	1962-63	XV	17
(f) Study of possible establishment of a merchant marine training school.	1962	XV	39

Ministry of Posts, Telegraphs and Telephones

Tasks		*Reference*	
	Deadline	*Chapter*	*Paragraph*
1. Administration			
(a) Establishment of a Postal Savings System	1961-62	XV	18 & 23
2. Surveys and Studies			
(a) A study on the modernization and expansion of postal services	1961-62	XV	23 & 33

Imperial Highway Authority

Tasks		Reference	
	Deadline	Chapter	Paragraph
1. Administration			
(a) Re-organization of the Authority along the lines ready proposed and the strengthening of its provincial services	1961-62	XV	23
2. Surveys and Studies			
(a) Nation-wide survey and study of the road system in Ethiopia leading to the drawing up of highway master plan	1961	XV	15 & 29
(b) Study of secondary and feeder roads for priority development in consultation with relevant authorities	1961-63	XV	15

Ministry of Education and Fine Arts

Tasks		Reference	
	Deadline	Chapter	Paragraph
1. Administration			
(a) Strengthening of the Ministry of Education and its provincial offices, and the decentralization of administrative services	1961-62	XVI	40 - 44
(b) Setting up of an Ethiopian Teaching Service	1961	XVI	46
(c) Formation of a National Advisory Council for Tech-			

nical and Vocational Education	1961	XVI	47
(d) Creation of a National Council for Arts and Culture	1961-62	XVI	48
(e) Establishment of a National Scientific and Technical Research Council	1962-63	XVI	50
(f) Establishment of a National Amharic Academy	1962	XVI	49
2. Legislation			
(a) Submission of legislation providing for the control of of non-government schools	1962	XVI	51
3. Surveys and Studies			
(a) Completion of the *Awraja* Survey (now in progress) for the effective location of new schools	1960-62	XVI	16 & 21
(b) Analytical studies of curricula and assignment methods designed to relate them more closely to occupational skill requirements and other practical realities of daily life	1961-65	XVI	12 & 24
(c) Review and study of the establishment of a single machinery which will be responsible for school leaving examinations at grades 6, 8 and 12 in co-operation with other institutions concerned	1962	XVI	52
(d) Studies and recommendations on the problem of drop-outs	1962	XVI	52

Haile Selassie I University

Tasks	Deadline	Reference	
		Chapter	Paragraph
1. Administration			
(a) General strengthening of administrative services and improved co-ordination with other ministries and agencies concerned	1961	XVI	45
(b) Setting up of a plaaning unit	1961	XVI	45
2. Surveys and Studies			
(a) Redesigning the curriculum in accordance with national needs	1961-62	XVI	27
(b) Designing and implementation of a special programme for first year students to reduce the high attrition rate	1961	XVI	27

Ministry of Public Health

Tasks	Deadline	Reference	
		Chapter	Paragraph
1. Administration			
(a) Reorganization and strengthening of Head Office administration and decentralization of health services	1961	XVII	49
(b) Reactivation of the National Food and Nutrition Board	1961	XVII	32
(c) Unification, standardization and co-ordination of laboratory services through the Imperial Central Laboratory Research Institute	1961-62	XVII	31

(d) Establishment of machinery to co-ordinate the activities of all health service institutions including the Malaria Eradication Service	1961-62	XVII	50
2. Legislation			
(a) Enactment of a Public Sanitary Code	1961	XVIII .	26
3. Surveys and Studies			
(a) Continuing large-scale serological and entymological investigations in order to define the endemic focus of yellow fever	1961-65	XVII	29
(b) Preparation of a communicable disease map as an aid to the prevention of epidemics and eventual elimination of endemic foci	1961-62	XVII	30

Ministry of National Development and Social Affairs

Tasks		*Reference*	
	Deadline	*Chapter*	*Paragraph*
1. Administration			
(a) Conversion of government farms presently operated by the Ministry of Community Development and Social Affairs into independent corporate bodies to be carried out through the advice of the Administrative Reform Committee	1961	X VIII	82 (ii) 27 (ii)

(b) Creation of a National Co-operative Board			
(c) Expansion of the departments of Labour and Social Welfare	1961-63	VIII	22 & 38
(d) Establishment of a pilot Vocational Training and Development Centre	1961	V VIII	51 23
2. Legislation			
(a) Enactment of legislation for the protection of the young, destitute and the deserted, and for the registration and supervision of charitable societies	1961	XVIII	29
3. Surveys and Studies			
(a) Manpower survey and labour market analysis in co-operation with C S O.	1962	V	46 & 55
(b) Study to determine ways and means of establishing a National Youth Service	1961	XVIII	30

Ministry of Interior

Tasks		*Reference*	
	Deadline	*Chapter*	*Paragraph*
1. Administration			
(a) Establishment of a training scheme for *Awraja* governors	1961-65	VIII	39 (i)
(b) Establishment of sanitary control systems for non-chartered municipalities with the assistance of Provincial Health Offices	1962-65	XVIII	26

2. Surveys and Studies			
(a) Study by the Department of Municipalities to establish priorities for the preparation of master plans for growing urban centres	1962	XVIII	22

Municipality of Addis Ababa

Tasks		*Reference*	
	Deadline	*Chapter*	*Paragraph*
1. Administration			
(a) General strengthening of the organization and personnel of the city administration so as to ensure more efficient execution and supervision of programme services	1961-62	XVIII	25 or 27 - 28
(b) Publication of the master Plan for Addis Ababa	1961	XVIII	22
2. Legislation			
(a) Preparation of revised legislation to regulate properly land acquisition in the city	1961-62	XVIII	22
3. Surveys and Studies			
(a) Cadastral survey of Addis Ababa and numbering of houses along main streets	1962-65	XVIII	22
(b) Ground-water survey within Addis Ababa	1961-65	XVIII	23
(c) Re-examination of the revenue base of the Municipality	1962	XVIII	36

Ministry of Public Works

Tasks		*Reference*	
	Deadline	*Chapter*	*Paragraph*
1. Administration			
(a) Strengthening of the Ministry of Public Works and setting up of provincial branches	1961-65	XVIII	49
(b) Creation of a Water Resources Council	1961	VI	37
(c) Re-organization of the Water Resources Department to serve as the technical secretariat of the water Resources Council	1961	VIII VI	32 39
(d) Co-ordination of all activities in the public housing field	1961	XVIII	48
(e) Provision of training facilities for Ethiopians joining the building profession	1961-65	XVIII	42
2. Legislation			
(a) Preparation and submission of Building and Housing Codes	1961	XVIII	49
(b) Preparation and submission of a (Building) Professional's Registration Statute		XVIII	49
(c) Preparation and submission of a (Building) contractors' Registration Statute		XVIII	49
3. Surveys and Studies			
(a) A national survey of potable water supply to be undertaken by the Water Resources Department	1961-65	VI	33

(b) Large-scale ground water surveys to be undertaken by the Water Resources Department in cooperation with the Geological Survey Department of the Ministry of Mines	1961-65	VI	33
(c) Numerous river basin surveys to be undertaken by Water Resources Department	1961-65	VI	43

Ministry of Information and Tourism (Ethiopian Tourist Organization)

Tasks	*Deadline*	*Reference* *Chapter*	 *Paragraph*
1. Administration			
(a) Establishment of a hotel training school	1962	XIX	17 (b)
2. Surveys and Studies			
(a) Study of tourism potentials and specific measures to promote them	1961	XIX	9
(b) Study of the dsirability of creating a new Authority for Tourism and Wild-life	1961	VIII XIX	34 8